League of Women Voters of Minnesota Records

Committee For A National Trade Policy
1028 Connecticut Avenue, N.W.
Washington, D.C. 20036

March 13, 1968

Enclosed is an address made by our Chairman, Carl J. Gilbert, before the Chicago World Trade Conference on February 28, 1968, in a semi-debate with John P. Roche of the American Iron and Steel Institute.

The issue was import quotas on steel, specifically, but future U. S. trade policy in general. Although Mr. Gilbert spoke in his personal capacity, we feel that what he said represents essentially the viewpoint of this Committee.

We know you are familiar with the problems discussed here and recognize that 1968 is a critical year both for maintaining a liberal trade policy and for beginning to solve our balance-of-payments problems.

John W. Hight
Executive Director

Enclosures

Remarks of CARL J. GILBERT

Chairman of the Executive Committee

of the Gillette Company

at 31st Chicago World Trade Conference

February 28, 1968

Ladies and Gentlemen:

In speaking to an audience like this, interested and well informed on the changing scene in the field of international trade, there is little point in taking the time to review the history of tariffs and trade over the past three or four decades -- especially so when this morning's program is cast in the form of a semi-debate. It is worth pointing out at the outset, however, that a fundamental policy pursued by this country from the end of World War II until January 1, 1968 -- embraced by every administration in power, Republican and Democrat alike -- called for first, the dismantling of the complex system of controls over imports, exports and foreign exchange which existed at the end of the War; second, U.S. assistance to permit the war torn countries of the world to rebuild and contribute their latent strengths to the free world; third, to attain convertibility of the world's important national currencies; and fourth, to remove, gradually over a period of time, the artificial barriers to international trade involved in tariff and non-tariff barriers of every kind. International institutions to implement these steps and to establish orderly means of resolving questions as they arise through discussion and agreement rather than by unilateral action inviting retaliation and counter-retaliation were established -- such as the IMF and the GATT. No honest man could claim that this government's actions were at all times consistent with this policy -- nor could that be said of the actions of any other country. Similarly, no honest man could claim that no mistakes have been made by us and by others or that the ideal of removal of all artificial trade barriers had been accomplished. On the other hand, against the starting point of 1946, the success of this policy has been nothing short of miraculous, and even with the benefit of 20-20 hindsight, I doubt that any significant changes in this policy could even now be suggested which could have held out greater hopes for success. I know of no other area of national policy in the post-war period which can boast of success comparable to this one.

In the forties and early fifties, of course, everyone concerned found the workings of the policy to their liking -- government people in Washington loved their role in playing God in the process of rebuilding the world. Industry was overwhelmed with overseas orders, supplying not only a large part of the capital goods called for by the rebuilding, but even supplying consumer goods to meet the first awakenings of consumer demand and capacity to pay.

Convertibility of the major currencies was substantially accomplished by 1958 to the vast improvement of the trade and financial process, as had been contemplated. But by 1960 the public wringing of the hands by the Executive Branch on the balance of payments problem became audible with, however, the only corrective action taken, as I recall it, being that of a form of trade restriction through tying loans and aid to U.S. purchases. The first significant step to reduce the avoidable foreign exchange drain due to maintenance of the U.S. troop presence in Europe was reluctantly taken by President Eisenhower in the closing days of his administration, but was summarily reversed by President Kennedy and Secretary McNamara before the new administration had been in power a month.

Certain areas of industry also found that the good customers for capital goods of a few years earlier were able to use, yes improve on, those capital goods, and were becoming competitors.

By 1960 the long term official concern with the "dollar gap" was ended, and the business community's pressures for "trade not aid" eased off. It seems hard to believe that little more than ten years ago official Washington was sponsoring conferences on the "dollar gap" or that not many more years ago industry was pleading for the chance to participate in competitive markets in which "natural" forces would work to produce that allocation of resources which would result in the best possible standards of living for the nations of the world.

What has happened to the United States when both our government and major sectors of our industry alike seem to feel that there is injustice in their finding themselves subject to the disciplines of the international market place? Are the oft repeated expressions of confidence in a free enterprise economy which come from both government and private sources empty words?

I am confused!

I become more confused the more I think about this phenomenon. There seems to be complete agreement, verbally at least, to the proposition that of vital importance to our national future "is the ability to maintain and improve the competitive position of the United States", to quote the recent report of the Council of Economic Advisers. Virtually all of the private sector would agree on this proposition when talking in terms of the need of greater governmental restraint on inflationary forces. Yet those industries now seeking new protection from the forces of import competition seem hell bent on permanent and virtually irreversible impairment of their industries' capacity to compete by removing the restraining influence of competition. What is the ultimate end of this course of action?

If any industry should have learned how ineffective are "jawbone" controls of the wage-price spiral, the steel industry, God knows, should have. If it weren't for the impossibly bad results on all the rest of us, I would almost like to sit back and watch the inevitable interplay of the forces involved if they should get the quotas some of the industry seem to think they want.

With quotas in effect I would expect within a short term of years to find the American steel industry permanently priced out of the international market and to be returning to the Congress again and again asking the Congress for further legislation to erect other and higher barriers to protect them against the inevitable consequences of the earlier measures enacted to enable them to avoid the restraining influences and stimulation afforded by competition.

Most of us have learned the hard way the basic truth that in this hard world in which we live, no one is going to get anything of value for nothing. The same is true of whole countries in the field of national trade regulation. If new tariffs are imposed, or quotas established by the United States at the instance of one industry, some other American industry or industries must be made to pay the price for that new protection, either by compensatory reductions in tariffs on imports in their fields or through consent by the U.S. to increases of foreign tariffs on U.S. exports. At its best, this is bad, since in its simplest terms this involves robbing Peter to pay Paul -- a regrettable degree of direct participation by government in the allocation of foreign trade between industries. Under the present circumstances, with the President's power to negotiate such compensatory adjustments in tariffs having lapsed, the only remedy available to the foreign governments affected is by way of retaliation -- in each case affecting third countries' trade as well -- which inevitably would be followed by a chain reaction of counter-retaliatory moves around the world, affecting all of our foreign trade. A little prayerful study of the history of the trade disruption triggered off by the Smott-Hawley Tariff Act of 1930 would seem to be called for, remembering that the wave of trade restrictions around the world certainly was an important factor in deepening of the great depression of the thirties.

Even without these horrendous consequences, the broad immediate national effects of the inevitable price increases in steel which would follow new protective legislation would clearly have an adverse effect on the competitive position of all of those other industries which are substantial users of steel in particular, as well as the general adverse effect on the price structure generally. (I class these price increases as inevitable, perhaps unfairly, but the conclusion seems a reasonable one when labor and industry combine to support quotas in an industry which claims to be murdered by competition but at the same time is posting fairly wide price increases.) Add to this the adverse effects of tariff adjustments on those U.S. industries which are selected as the ones best suited to pay the bill for the protection sought by steel, and the expectable overall adverse effect on the competitive position of U.S. industry is frightening.

The steel industry has changed its legislative approach from a drive for increased tariff protection earlier in the year to their current drive for quotas. Somehow or other, in spite of the intensity of their present efforts, I don't think we ought to rule out the possibility that wiser counsel within the industry may eventually prevail, and we will see a further change in their approach. Certainly an uncontrolled wage-price spiral can be expected to result in substantial losses of business <u>first</u> from steel users whose power to compete in export markets is weakened by the influence of high cost steel on their overall costs, <u>second</u>

by increased inroads on traditional steel markets by substitute materials (accelerated in the case of industries selected to be the ones to pay for steel's protection), <u>third</u> through damage to the steel fabricating portion of the industry. The adverse effects on the steel industry to flow inevitably from increased vulnerability to the threat of wage and profit controls and the need to open up hitherto jealously guarded cost data are of course speculative, but they would give me serious concern if I were involved in the industry.

God knows nothing stimulates research and development, process improvement and the drive for greater efficiency than the hot breath of competition, and we would be fools to seek to remove that stimulus or reduce its influence.

At the same time <u>unfair</u> overseas competition need not be tolerated -- or overblown as an excuse for protection in general. The new international code on "dumping" should provide proper and positive relief against this evil. Unfair competition in the U.S. market from subsidized exports is to a large degree available through the invocation of countervailing duties assessed to offset the foreign subsidies, but this remedy has only been sought by steel in one instance. In fact the steel industry, along with many others, has failed to supply specific information on the subject of subsidies and non-tariff barriers long sought by the Herter-Roth office as background for their efforts to ameliorate the adverse effects of these practices on our foreign trade. In view of the widespread complaints of this nature, it is surprising that no use of the escape clause provision of the Trade Expansion Act by any important industry now seeking quota legislation has been made. In short, to a very great extent the industries now seeking quotas have not, to use the old lawyer's phrase, exhausted their existing specific remedies against some of these alleged evils, and instead seek to short-cut established procedures by going direct to Congress where the alleged evils can be asserted in terms of generalities rather than specifics.

It is true that in the Common Market countries the border tax and its companion piece, the equivalent export subsidy, are a problem today and probably will become more of a problem in the future. It must be remembered, however, that these countries in their national tax structures rely heavily on indirect taxation and thus are in position to take advantage of specific authorization for this form of tax-subsidy structure in the GATT -- an option fully open to us as well if we were to turn to a sort of value added tax as an alternative to our heavy reliance on the income tax as a source of revenue. The importance of this is increasing, of course, as the Common Market countries act to rationalize their tax structures. Perhaps it was a mistake for the U.S. to agree to this provision in the GATT in 1947, but the answer to the problems it creates today does not lie in unilateral action on the part of the U.S. It can come only from patient negotiation and agreement with the other GATT nations.

Much as I regret the sorry situation we are in with respect to the balance of payments -- and even more deplore the short-sighted and irresponsible management of our fiscal and monetary affairs over the past ten years or so which has gotten us into this mess -- I am glad to see a rapidly widening appreciation of the seriousness of the problem and its consequences. More and more we will see that the bind into which we have drifted in terms of balance of payments problems places serious limitations on the country's freedom of choice in a myriad of domestic and foreign policy areas -- choices difficult enough under the best of circumstances but much more complicated in this context. One could, for example, easily read in Prime Minister Wilson's program following the recent Sterling devaluation the tortures involved in decision-making under balance of payments panic conditions.

The balance of payments computations are not simple, nor is the machinery of international finance or the international monetary structure of joint and cooperative action. On the other hand, the anomoly of our international financial problem seems to me to be capable of statement in simple terms.

Our basic economic strengths are not only impressive; they are overpowering. Our vast productive capacity, our natural resources, and our skilled manpower both in production and management are unequalled in the world and the envy of our friends as well as those not so friendly. Our overseas investments are enormous and enormously productive, having a combined book value estimated at more than $54 billion, earning $6.7 billion, and currently remitting more than $5 billion annually to their U.S. owners.

In terms of our balance sheet of international assets and liabilities, so to speak, we are of unquestioned strength. However, our assets are predominantly long term in nature, while our liabilities are predominantly short term. Thus world confidence in the dollar as a medium of exchange is dependent on world opinion as to our ability and determination to manage our fiscal and monetary affairs in such a way as to merit that confidence. Basically, this of course depends on a demonstration that we can and will live within our means in terms of our national budget and equally so in terms of our international accounts. Put another way, the world is watching us closely to see whether we as a nation will accept the disciplines of the international money markets as a major factor leading us to seek a balance of expenditures and receipts in both domestic and international terms.

This is a frustrating problem for our government to face, since many of the expense items are at levels pretty much out of our immediate control. The task of choosing between the many areas of expense generating activities open to government is not one to be envied but is one which cannot be avoided if the greatest possible degree of freedom of choice is to be retained. The British devaluation of Sterling toward the end of 1967 threw another heavy drain on our resources and another strain on an already strained international monetary mechanism. But the British devaluation could hardly have been unexpected, and the kind of contingency planning expected of competent management might well have been expected to have called for advance provision to meet this expectable additional strain when it should occur.

Whatever the cause, I have no question but what the situation obtaining on December 31, 1967 was acute and called for immediate and dramatic action to demonstrate U.S. determination to defend the dollar. In the light of these circumstances, I cannot criticize the decision to impose direct controls on foreign direct investment, shocking as it is for a country as rich as ours to have to resort to such action. If wisely administered, with the requisite flexibility to meet special problems of segments of our industry, I believe we can live with them, but only if they are of short duration and during their short existence the shocking nature of this step stimulates acceptance of the need for prompt and fundamental steps to bring the balance of payments to a reasonable level and to restore confidence in the integrity of the dollar. If continued too long, fundamental damage will have been done to our overseas investments, our principal national overseas earning asset.

It seems to me unfortunate that the heavy emphasis in the administration's 1968 program to remedy our balance of payments problems sound so strongly of protectionism. Restriction on the international movement of capital, of people, and of goods runs counter to all of our national aims. Controls on overseas investment I have already spoken about. It certainly would be a great help to the balance of payments figures if there were to be a substantial reversal for a year or so in the constantly climbing tourist deficit, but I find it hard to believe that a highly complicated novel tax approach is going to provide the answer. The tax approach seems to me to carry the message that if you can afford to travel <u>and</u> pay the travel tax, go right ahead and travel, thereby substituting for the moral suasion of a patriotic appeal to defer foreign travel for a time the temptation to play games with the Customs. Administration talk of border tax -- export subsidy measures seems to invite consideration of imposition of across the board import taxes or quotas -- measures familiar to us as the last-ditch stand of weak countries.

What has happened to us as a nation when our government, as well as major segments of industry, faced with the disciplines of the international market place moves first to find ways to remove the immediate pressures to action which those disciplines provide. Have we lost our fortitude? -- Are we confessing to the world that we haven't the moral stamina to justify our position of world leadership? There are these deeper issues involved in the question we have been discussing. I hate to believe that the answers to these questions are in the affirmative, but I keep waiting for the clarion call from Washington to pull in our belts and fight to defend the things we believe in.

ADDENDUM

Following are excerpts from Mr. Gilbert's rebuttal statement, based upon notes he prepared during the debate.

Miscellaneous Points

Mr. Roche suggested that the increase in steel imports into the United States in the last several years had been due, or at least in part, to a failure of the U.S. to conclude a satisfactory agreement with the Common Market and Japan in that round. Mr. Gilbert pointed out that no changes between 1962 and 1967 in terms of trade could have been due to the TEA, since tariff alternatives were not effective until January 1, 1968.

Mr. Roche cited excerpts from the Senate Finance Committee staff report recently released, which supported his contention that steel imports have been a major cause of the difficulty the steel industry finds itself in. Mr. Gilbert suggested that the Committee staff report was a well-balanced document and one could readily find quotes to support either side of the issue. Thus, it would be unproductive to match quote against quote. He added that the proposal by Mr. Roche that import quotas be established by the U.S. on steel imports would lead to almost certain retaliation by other countries against our steel exports or any other products -- made of steel or not. The selection of retaliatory measures would be aimed at our strongest export industries and where they would have the greatest effect. He recalled our increase in tariffs on carpets and glass in 1962 at the time the Trade Expansion Act was being considered by the Congress. Retaliation was almost immediate from Belgium. We understand, of course, that such retaliation is authorized under the articles of the GATT, unless compensation is made by the offending party.

Importance of the Steel Industry

There is no disagreement between Mr. Roche and myself as to the importance to the country of a strong steel industry. I say that the industry now is reaping the headaches which unavoidably follow a wage-price policy determined without adequate consideration of international competitive forces. The remedy he proposed -- quotas -- will clearly accelerate the spiral to a point of no return. If you like, I am trying to dissuade the industry from following a course of self-destruction.

Defense

(Gilbert) "No one in his right mind would want to take any action which would weaken the defense posture of the United States. On the other hand no argument for special protection measures is more overworked and abused. If, and to the extent, that this national defense argument has merit then it seems to me that the industry concerned should be prepared to be more specific as to which sector of the industry needs what kind of help and in what amount. It has also seemed clear to me for a long time that national defense motivated support of a particular industry should be in the form of a direct open subsidy -- rather than by way of inducement to industry wide price increases -- and ought to be charged to the defense budget -- if defense consideration are that direct and significant. I note that the steel industry has not appealed to the Office of Emergency Planning on these grounds."

League of Women Voters of Minnesota, 555 Wabasha Street, St. Paul, Minnesota 55101

MINNESOTA PROSPECTS FOR WORLD TRADE IN '69

TO: Local League Presidents, Foreign Policy Chairmen, Public Relations Chairmen, 50th Anniversary Chairmen

FROM: Mrs. O. J. Janski, President

RE: Promotion of the trade conference

This conference is designed to stress the importance of trade to Minnesota, to look at current problems, and to explore the future direction of U. S. trade policy. In this way we hope to make the public aware of the issues and its stake in their solutions. Our main speaker is Representative Thomas B. Curtis, Republican from Missouri, who has concerned himself with trade problems. According to The New York Times, "he has been mentioned in trade circles as a possible successor to Ambassador Roth." Recently he has been advancing proposals to reorganize government structure to make it more responsive to the needs of trade. Any industry concerned with trade will find him a most topical speaker. (Our program is January 14; Mr.Nixon will be inaugurated January 20.)

Your members, community leaders, anybody trying to understand the economic forces at work in the world today will be very interested in this conference. Our format is to background the issues, examine Minnesota's interest in trade, discuss future U. S. trade policy, and to look at trade from a foreign nation's point of view.

Along with the publicity of the conference, we hope you will make a big effort to dramatize the importance of trade within your communities. We have suggested you contact companies that are involved in trade, find out their story and if possible work up display material telling this story. We now realize that there won't be enough room to display all of this material at the conference. Rather than offend some industries through omission, we are suggesting that you direct your display efforts to your own communities. Tell these stories through displays in libraries, schools, community meeting places, etc. At the conference we will have some material designed to show you the kinds of things you may want to do.

This trade conference is a major state League effort. It comes at the beginning of our 50th Anniversary effort. It is newsworthy. We need your publicity efforts; we need your attendance.

The pertinent information is in the invitation brochure enclosed. We are sending some for you to distribute throughout your community. If you can use more, contact the state office right away.

Suggestions for Promotion

1. If you haven't already done so, appoint a member or a committee to be in charge of promotion.

2. Draw up a list of people, organizations, businesses and industries to receive invitations. Enclosed is a list of those receiving invitations from the state League. Follow through with these organizations on the local level. The list also contains the various newsletters that are carrying information about the conference. These too should be followed up locally.

3. Enclosed is a sample press release to kick off your publicity. At the conference, sample follow-up press releases will be available.

4. Enclosed are sample spot announcements for your radio stations. Those of you who have regular radio time could devote one of your programs to trade issues and the conference.

5. If you have a League bulletin coming out before the January 10 deadline, be sure to use it for member promotion. If you don't, get the calling committees busy.

6. For travel arrangements, do investigate the possibility of chartering buses. This has been done very successfully for the Observers Program. Combine with other Leagues by having a bus start at the farthest point and then pick up in another town or two along the way. At the very last, arrange car pools and let people know transportation is available.

League of Women Voters of Minnesota, 555 Wabasha Street, St. Paul, Minnesota 55101

Invitations are being sent from the state office or the World Affairs Center to the following:

Public Affairs Div., U of M Extension Division
Jewish Community Relations Council
Council of Churches
Council of Jewish Women
United Church Women
American Legion Auxiliary
Federation of Women's Clubs
Mrs. Jaycees
Minnesota Adult Education Association
Citizens Committee on Public Education
Council for Education in Politics
Council for Social Studies
Minnesota Education Association
Minnesota Federation of Teachers
Foreign Policy Association
World Trade Association
United Nations Association of Minnesota
Minnesota Congressmen
Governor and Lieutenant Governor
Associated Press
Industrial Editors Association
Minneapolis Spokesman
Minnesota Press Women's Association
United Press International
KUOM
AAUW
Women's International League for Peace and Freedom
United World Federalists
Hadassah
Catholic Daughters of America
Archdiocesan Council of Catholic Women
DAR
Minnesota International Center
Lutheran Church Women
Business and Professional Women
DFL State Chairwoman
Republican State Chairwoman
Republican Workshop
Girl Scouts
Camp Fire Girls
Minnesota Daily
YWCA
DFL National Committeewoman
Republican National Committeewoman

College departments of Business, Economics, Political Science, International Affairs will be contacted. College students in your communities might be interested.

How about posting notices of the conference on community bulletin boards and bulletin boards in libraries, banks and stores?

Newsletter Promotion through the following:

Chamber of Commerce for the St. Paul Area
Chamber of Commerce of the Greater Minneapolis Area
U. S. Department of Commerce, Minneapolis
Agricultural Extension, Community Service
Department of Business, U of M
Upper Midwest Regional Export Emergency Council
Minnesota World Trade Association
"Minnesota Progress," magazine of the Minnesota Department of Business Develop.
Republican Newsletter
DFL Newsletter

SAMPLE PRESS RELEASE

"Minnesota Prospects for World Trade in '69" will be discussed at an important public conference, Tuesday, January 14 from 10:00 a.m. to 3:00 p.m. at the Holiday Inn Central, Minneapolis. The program is sponsored by the League of Women Voters of Minnesota, The Minnesota World Trade Association, and the Upper Midwest Regional Export Expansion Council.

The luncheon speaker, Representative Thomas B. Curtis of Missouri, has served as a Congressional Delegate for Trade Negotiations since 1964. He has been mentioned as possible successor to Ambassador Roth, U. S. Representative for Trade Negotiations. Congressman Curtis will speak on trade frontiers, discussing the future direction of U. S. trade policy.

The morning session will open with a discussion of "Dollars and Gold - World Monetary Situation and Trade's Relationship to it" by Professor Anne Krueger, Department of Economics, University of Minnesota. This will be followed by a panel on the problems and opportunities in trade for Minnesota. The experts taking part are: Professor Philip Raup, Department of Agricultural Economics, University of Minnesota; Eugene Larson, Vice President of E. J. Longyear Company, Minneapolis; John R. Peters, International Trade Specialist, U. S. Department of Commerce, Minneapolis; and Karl Shoemaker, Economist, Land O'Lakes Creameries Inc., Minneapolis.

Following Representative Curtis' speech, the Honorable Bengt Odevall, Counsel General for Sweden for the Upper Midwest will talk on "Trade-a World View."

The U. S. is currently without trade legislation. Decisions affecting this very important aspect of foreign policy must be made in the near future by the new administration and Congress. "We believe that the public needs to be informed on this issue and share in the decision making process," said Mrs. O. J. Janski, President of the League of Women Voters of Minnesota.

The cost for the day-long conference is $4.75 including luncheon. Reservation can be made with the League of Women Voters of Minnesota, 555 Wabasha, St. Paul 55101 by January 10 (phone 224-5445) (or insert a local contact.)

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League of Women Voters of Minnesota, 555 Wabasha Street, St. Paul, Minnesota 55101
December 1968

SAMPLE SPOT ANNOUNCEMENTS FOR RADIO

Minnesota Prospects for World Trade in '69 is the subject of a meeting sponsored by the League of Women Voters of Minnesota, the Minnesota World Trade Association and the Upper Midwest Regional Export Expansion Council on Tuesday, January 14, at the Holiday Inn Central, Minneapolis, from 10:00 a.m. to 3:00 p.m. The cost is $4.75 for the day including luncheon. Reservations are necessary and may be made with____________________________ (either local address or League of Women Voters of Minnesota, 555 Wabasha Street, St. Paul, Minnesota) by January 10. (The 10th is the deadline to the League office. You will want an earlier deadline locally.)

Representative Thomas B. Curtis from Missouri who has been mentioned as a possibility as the United States new ambassador for trade negotiations will be the featured luncheon speaker at a major day-long conference on Minnesota Prospects for World Trade in '69. The program is being sponsored by the League of Women Voters of Minnesota, the Minnesota World Trade Association and the Upper Midwest Regional Export Expansion Council. It will be held Tuesday, January 14 from 10:00 a.m. to 3:00 p.m. at the Holiday Inn Central, Minneapolis. Reservations are necessary and may be made with____________________________ (either local address or League of Women Voters of Minnesota, 555 Wabasha Street, St. Paul, Minnesota) by January 10. (The 10th is the deadline to the League office. You will want an earlier deadline locally.) The cost is $4.75 for the day including luncheon.

United States trade policy affects everyone in Minnesota. The citizen needs to know the issues to be a part in helping to shape the future legislation in this vital area. Learn about "the World Monetary Situation and Trade's Relationship to It," "Problems and Opportunities in Trade for Minnesota Industry and Agriculture," "Trade Frontiers and "Trade-A World View." These will be presented at a major conference on Minnesota Prospects for World Trade in '69 sponsored by the League of Women Voters of Minnesota, the Minnesota World Trade Association and the Upper Midwest Regional Export Expansion Council. The meeting will be held Tuesday, January 14, at the Holiday Inn Central, Minneapolis from 10:00 a.m. to 3:00 p.m. The cost is $4.75 for the day including luncheon. Reservations should be made by contacting____________________________(either local address or League of Women Voters of Minnesota, 555 Wabasha Street, St. Paul, Minnesota) by January 10. (The 10th is the deadline to the League office. You will want an earlier deadline locally.)

Experts discussing Minnesota Prospects for World Trade in '69 will present a day-long conference Tuesday, January 14 from 10:00 a.m. to 3:00 p.m. at the Holiday Inn Central, Minneapolis. It is being sponsored by the League of Women Voters of Minnesota, the Minnesota World Trade Association and the Upper Midwest Regional Export Expansion Council. Representative Thomas B. Curtis of Missouri, who may be the next United States ambassador for trade negotiations, will be the luncheon speaker. A world view of trade will be presented by the Counsel General for Sweden for the Upper Midwest, the Honorable Bengt Odevall. The world monetary situation and trade's relationship to it as well as problems and opportunities in trade for Minnesota industry and agriculture will be presented by authorities in these fields. The cost is $4.75 for the day including luncheon. Reservations should be made by contacting____________________________(either local address or League of Women Voters of Minnesota, 555 Wabasha Street, St. Paul, Minnesota) by January 10. (The 10th is the deadline to the League office. You will want an earlier deadline locally.)

The gold crisis, the balance of payments problem trade barriers, pressures for quota legislation--these are of concern to Minnesota industry and agriculture. These should be of concern to the citizen of Minnesota who will be affected by future legislation. Experts will discuss the many facets of trade, looking at it from the point of view of Minnesota industry and agriculture, possible future United States trade policy and the world view. This conference, Minnesota Prospects for World Trade in '69, will be held from 10:00 a.m. to 3:00 p.m., Tuesday, January 14, at Holiday Inn Central, Minneapolis. It is sponsored by the League of Women Voters of Minnesota, the Minnesota World Trade Association and the Upper Midwest Regional Export Expansion Council. The cost is $4.75 for the day including luncheon. Reservations should be made by contacting____________________________(either local address or League of Women Voters of Minnesota, 555 Wabasha Street, St. Paul, Minnesota) by January 10. (The 10th is the deadline to the League office. You will want an earlier deadline locally.)

<u>These are just examples. Feel free to compose your own</u>

League of Women Voters of the U.S.
1730 M Street, N.W.
Washington, D. C. 20036

May 29, 1973

TESTIMONY BEFORE THE HOUSE WAYS AND MEANS COMMITTEE
ON HR 6767, TRADE REFORM ACT OF 1973

by

Lucy Wilson Benson

President, League of Women Voters of the United States

Mr. Chairman, members of the committee, I represent the League of Women Voters of the United States, a volunteer citizens' organization of 1,350 Leagues with approximately 150,000 members in the 50 states, the District of Columbia, Puerto Rico and the Virgin Islands. We are pleased to have this opportunity to present the views of our members on several major issues of trade policy now being considered by this committee.

The League first spoke out for liberal trade policies almost four decades ago. Since then we have demonstrated our support for those policies by working for every extension of the Trade Agreements Act of 1934, the General Agreement on Tariffs and Trade, and the Trade Expansion Act of 1962. We will continue to demonstrate our support by working for liberal trade legislation in 1973. And we will do so not because we cling to our traditional position but because our members have recently reaffirmed that position in the context of current economic developments.

In the 1930's League members became convinced that an international orientation in political and economic matters is also in the best national interest of the United States. Now, after a year-long study, Leagues have concluded that the practical arguments for a liberal trade policy are still valid: trade expansion stimulates economic growth at home and abroad, increases consumer choice, and contributes to improved international political relations. We know there are many who consider a liberal trade policy a luxury item -- nice when you can afford it, expendable when you cannot. But we submit that such a policy is a necessity not a luxury -- equally important to international economic and political relations whether the going is tough or easy.

And we are under no illusion that the going is easy. It was relatively easy for the United States to pursue a liberal trade policy after World War II when this country was the world's leading exporter and the world's leading creditor; it was easy when Europe was a fragmented and prostrated continent and when Japan was just recovering from the war. It was easy to be a free trader when there was little competition around. It is not so easy now.

Item: Our trading partners are strong, their economies are booming; they appear formidable across the bargaining table.

Item: Foreign industries which we helped build up after the war have, in many cases, surpassed their U.S. counterparts and their products have penetrated markets all over the world.

Item: In 1971 and 1972, the U.S. had the largest trade deficit in this century; the unemployment rate hovers between 5 and 7%; as factories close and companies relocate in many industries, not always because of imports, communities and workers suffer.

What should be done in the face of these facts: Will Congress accept the counsel of those who would have us withdraw behind the tariff and quota walls of Fortress America? Expert opinion is readily available on all sides of the question. Figures and charts have been marshalled for and against restricting imports; for and against the activities of multinational corporations. We did not bring you our own army of facts -- although we have studied many -- because we believe that the answers to this country's economic problems are not to be found in quantitative data alone, but more so in the questions interested groups and public officials dare to raise and in the choices they are willing to make.

For example:

- Are imports the major cause of economic dislocation in this country or are there other factors such as changes in taste and technology?

- Are import restrictions the answer to our problem or will they create more problems than they solve? Are there alternative ways to help industries and workers hurt by import competition?

- How can we become more competitive? Should we continue to produce what we produced in the past or should we take a new look at what we do best and what we must do better?

- Should the United States develop new policies to regulate the activities of multinational corporations?

During the past year, Leagues all over the country studied these questions. It is on the basis of their findings that I would like to comment on the Trade Reform Act of 1973. I will confine my remarks to three areas of concern to the League: first, the President's request for extensive negotiating authority; second, proposed adjustment policies; and third, the provisions relating to the international obligations of the United States.

Trade Negotiating Authority

The League is convinced that the public interest is best served by a trade policy which promotes the freest possible exchange of goods and ideas across national borders. In accordance with this position, we support the systematic reduction of trade barriers through multilateral negotiations. We support the principle of reciprocity in trade agreements except when political and economic considerations call for special trade concessions to developing countries. We favor the extension of most-favored-nation status to countries with non-market economies. And, with some modification in taxation policy, we feel that the activities of multinational corporations should not be unduly restricted.

The Trade Reform Act of 1973 authorizes the President to enter into trade negotiations for a period of 5 years and, pursuant to a trade agreement, to increase or decrease tariffs without limit. This request for negotiating authority is timely and essential in view of the forthcoming multilateral negotiations. We agree with you, Mr. Chairman, that the President needs extensive authority in order to get the fairest deal for the United States. We would question, however, whether unlimited authority, up or down, is in fact necessary to ensure negotiating flexibility. The League supports the systematic reduction of trade restrictions through multilateral negotiations. We favor giving the President authority to eliminate tariffs, but recommend that Congress place a ceiling on the power to raise tariffs. Authority does not have to be symmetrical; rather, it has to be related to the purposes it has been directed to accomplish -- and Congress should establish those purposes.

The President is also requesting authority to negotiate on non-tariff barriers. With the progress that has been made in reducing tariffs, we have become increasingly aware of the pervasiveness of non-tariff distortions in international trade and the need to reduce or eliminate them. But negotiation in this area is particularly difficult because non-tariff barriers are difficult to quantify, because they are frequently entrenched in domestic laws and, most basically, because they take so many different forms -- quotas, government procurement policies, technical, health and environmental regulations. For these reasons, it is difficult to predict what form agreements should take. However, with the congressional veto procedure that is proposed in the Trade Reform Act as a check, we hope Congress will give the President the mandate to negotiate agreements to reduce or eliminate non-tariff barriers.

Adjustment Policies

We are generally opposed to trade barriers -- which serve sectional and special interests -- although we do recognize that there may be exceptional conditions under which it may become necessary to regulate the flow of imports. If such measures are necessary, they should be temporary, negotiated multilaterally and applied in conjunction with measures to promote economic adjustment.

In connection with safeguarding authorities, we oppose the market disruption provision, as it is formulated in the President's proposal. If that provision means only that the Tariff Commission should take into consideration any correlation between market disruption -- defined as substantial imports increasing rapidly and sold at prices substantially below those of comparable domestic articles -- and an industry experiencing injury, then the provision is unnecessary. If, however, it means that the existence of such a correlation will result in protecting industries that are simply not competitive -- for a variety of reasons other than increased imports -- then the provision is potentially dangerous.

The League feels that the problem of workers and industries injured by import competition should be met by making U.S. products more competitive in world markets and by exploring new proposals for adjustment assistance.

We are sensitive to the problems of American workers, industries and communities that have been injured by increased imports. But because the League is a public interest organization, it is interested in people as workers and as consumers. In considering measures to help workers, we hope the committee will not forget the consumers. We hope the committee will give serious attention to the long-run importance of international competition in increasing opportunities for consumer choice and in reducing inflation. We should not penalize the many by restricting imports in order to help the few. Conversely, the few should not have to bear the burden of import competition so that the many may have its benefits.

In 1969, 1970 and 1972 the League testified in support of a liberalized adjustment assistance program. We believe the provisions relating to adjustment assistance in the Trade Expansion Act of 1962 should be changed in two respects: eligibility requirements should be greatly liberalized and program benefits should be increased.

With respect to the former, we welcome the President's proposal to eliminate the "double major" by dropping the link between trade agreement concessions and increased imports and by requiring that imports be a substantial rather than a major cause of injury.

With respect to program benefits, we used to argue that they mean little if eligibility requirements are so strict that workers cannot qualify. If the President's proposal were enacted, more workers would be eligible. But for what? The level and duration of benefits will be lower than what workers received under the Trade Expansion Act.

The President's proposal is lacking in other respects as well: Provisions relating to jobs search and relocation allowances (still restricted to heads of households) are totally inadequate; there is no help with housing; no provision that the worker will retain his fringe benefits such as pension rights, medical protection, seniority. There is no provision for allowing older workers the option of early retirement; no provision for aid to communities; no provision for an early warning system so that adjustment programs could be initiated before workers actually suffer injury. Isn't it time we looked at workers as human beings rather than as commodities and devised a program that will really help them? We suggest that the Congress give serious consideration to proposals along the lines recommended by Congressman Culver (HR 4817) and Senators Percy and Taft (S 1156).

We find the President's proposal unimaginative and ungenerous. The AFL-CIO has argued in the past that adjustment assistance is burial assistance -- and indeed, thus far, the program has been a non-program. Simply stated, we need a program that works -- and that takes money. There are no bargains in public policy: half-hearted programs become self-fulfilling prophecies of failure.

International Obligations

We would like to call your attention to Section 301 which deals with Presidential action in response to unfair foreign import restrictions and export subsidies, and Section 401 which grants balance of payments authority. Both these sections provide that in determining what action to take, "the President shall consider the relationship of such action to the international obligations of the United States."

We feel these provisions are weak for two reasons: 1) because international obligations should be regarded as firm obligations not subject to executive discretion; and 2) because the tone of the first major trade act since 1962 should be one of positive cooperation. It should indicate to our trading partners and erstwhile competitors that we are ready to modernize the rules of the game and then we are prepared to play by those rules. The League feels very strongly that international economic relations impinge on international political relations. We cannot be isolationists in economic matters if we want to move forward in improving our political relations with other nations.

I am confident that the committee will not abandon America's economic and political interest in expanding trade rather than restricting it. We have so much to gain from a forward and outward-looking policy. Do we have the courage to ask the questions and make the choices necessitated by that kind of a policy?

1730 M STREET, N.W., WASHINGTON, D.C. 20036 • TEL. (202) 296-1770

news release

The League of Women Voters of the United States

FOR IMMEDIATE RELEASE

(Following is a sample press release on the Trade consensus and the League's national campaign, which you may wish to adapt for use in your media. You may also want to insert a couple of paragraphs relating the national position to your League's consensus or to some local angle.)

Washington, D.C.--The League of Women Voters of the United States today announced a national campaign for liberal trade legislation.

The League's campaign, to coincide with Congressional action on the Administration's proposed Trade Reform Act of 1973, is based on its new national trade position, League President Lucy Wilson Benson said.

The position, the result of a one-year study undertaken by Leagues throughout the country, calls for the adoption of trade expansion techniques as a remedy to the U.S. balance-of-payment deficit; broad, long-range presidential authority to negotiate trade agreements for tariff reduction; and adjustment assistance for workers and firms. The study was designed to update the League's long-standing commitment to liberal trade policies to reflect changing economic conditions.

Among the positive remedies for the balance-of-payments deficit supported by the League are reform of the international monetary system and efforts by U.S. industries to improve product quality and international marketing techniques.

"The League recognizes the importance of the free flow of investment and technology for fostering economic development and improved living standards throughout the world. It recommends, however, adoption of international standards and agreements to regulate overseas corporate investment policies and practices. It also recommends some modification of domestic tax laws affecting multinational corporations in order to guard the interests of citizens here and abroad," Mrs. Benson said.

OVER

In the area of adjustment assistance, the League calls for programs for workers to include retraining related to job opportunities through national training programs and an early warning system for identifying employment trends. This assistance should also facilitate job mobility through protection of pension rights and other fringe benefits. Provisions should also be made for firms for retooling or conversion through tax incentives and government loans.

Industries found to be severely injured by an extensive and rapid influx of imports should also be protected through temporary trade restrictions. "Any such safeguard measures must be multilaterally negotiated and short term, with specific phase-out provisions," Mrs. Benson said.

The League national campaign will take place on the local, state and national level. It will include: programs designed to underscore the importance of liberal trade policies for communities; the development of local and state trade coalitions; gathering of impact information to be sent to Congressmen, and extensive lobbying efforts.

# # #

1730 M STREET, N.W., WASHINGTON, D.C. 20036 • TEL. (202) 296-1770

memorandum

The League of Women Voters of the United States

June 15, 1973

TO: State and local League Presidents
FROM: Lucy Wilson Benson, President, Ruth Sims, Action Chairman, and Ruth Hinerfeld, International Relations Chairman
RE: Alert for Action on trade during summer, 1973

This trade Action Alert is designed to help you plan your time and efforts so that the LWV can have maximum influence on shaping the trade bill at every stage in the legislative process. Its purpose is twofold: 1) to inform you of the action timetable for this summer on pending trade legislation; and 2) to suggest what you should be doing in your community to further the League's position on trade. By beginning your community work now you will be fully prepared to respond effectively to the Time for Action which will reach you in July.

The Political Picture

As you know, there are two major trade bills now being considered by the House Ways and Means Committee:

- the Trade Reform Act of 1973 (HR 6767). The Administration's bill is a comprehensive trade bill which would give the President power to negotiate agreements on tariff and nontariff barriers to trade. It would authorize him to use trade policy to meet balance of payments problems, extend preferential tariff treatment to LDC's, grant MFN to countries with non-market economies and to respond to injury from fair and unfair import competition. (R/H, 93-I-3 and R/H, 93-I-4.)

- the Burke-Hartke bill (HR 62). This strongly protectionist bill would establish quotas on virtually all imports, change tax laws so as to discourage U.S. multinational corporations, and under certain conditions, prohibit the transfer of capital and technology to foreign countries. (R/H, 93-I-2.)

In testimony before Ways and Means, the League opposed Burke-Hartke and gave qualified support to the Trade Reform Act. (For details see Lucy Wilson Benson testimony and Report from the Hill, April and June.)

Liberal Trade Is In Deep Trouble This Year!

The trade deficit and high unemployment rate have bolstered protectionist arguments. The AFL-CIO is pressuring Congressmen to accept the simplistic viewpoint that imports are the cause of our economic problems and that restricting imports is the solution. Efforts to pass a liberal trade bill are also complicated by the current state of legislative-executive relations. The TRA requests a great deal of authority for the President; and while many agree that the authority is needed in the trade field, this Administration's record in other areas (Watergate, impoundment) has made Congress reluctant to grant it.

House Timetable

After a month of hearings, the Ways and Means Committee has started marking up the Administration's or "a" trade bill. Wilbur Mills, chairman of Ways and Means, has announced that he wants House floor action before August 3.

The League's voice is needed in support of liberal trade to convince members of Congress who need convincing and to help those who are already convinced to resist protectionist pressure in their districts. We have less than 2 months to impress on members of Congress that a liberal trade bill is in the best interest of this country.

LEAGUE ACTION STRATEGY AND TECHNIQUES

Goal: To influence your Congressman to support a liberal trade bill.

Means: I. Direct contact with Congressman

II. Indirect contact in your community with your representative's major supporters, through other groups interested in trade, and influential individuals.

III. Developing public awareness of trade issue in your community.

I. Direct contact with Congressman

While there are many Congressmen who agree with the League's trade position, there are also many who do not and still others who are not well-informed on trade matters. You will be asked more specifically to contact your Congressman in a separate Time for Action. At this point, you should be preparing for later contacts by doing two things:

. Review his record to learn which of these categories he may be in.

. Also, examine the role of trade in your community and how it may affect what are recognized to be the vital economic interests of the community.

Your Congressman will be more responsive to your arguments if you show your awareness of his political problems.

Build your strategy for reaching him with these considerations in mind.

. What kind of groups support him?

. How vulnerable is he to protectionist arguments?

There will be many future opportunities for League contact with members of Congress on trade. This summer, we plan:

. A selected Time for Action to go out immediately to 81 local Leagues in districts of Ways and Means Committee members;

. A general Time for Action in mid-July to all Leagues. This will be timed to coincide with House floor action on the trade bill.

II. Contact with Congressman's major supporters and/or those to whom he is responsive

You know from past interviews with your Congressman which groups he respects and listens to most. Seek out these groups. If they are sympathetic, enlist their support. If they are not, find out why not. Are their views based on misconceptions? lack of information? economic grievances which may or may not be related to trade?

Work with other groups interested in trade

The League is not the only group interested in trade -- there are others which may or may not be active. Then there are groups which should have an interest in trade, but are not aware that they should.

Don't wait for other groups to come to you -- go to them. For example:

- Importers of wholesale and retail merchandise; American Importers Association
- Independent retail and wholesale merchants who will be harmed by quotas
- Export interests including high technology electronics, heavy machinery, and aerospace industries
- Agriculture - farmers and agri-business interests; American Farm Bureau Federation
- Port authorities
- Imported car dealers; Imported Automobile Dealers Association
- Consumer groups
- Local Chambers of Commerce; National Association of Manufacturers
- Trade associations
- Labor groups that have spoken out against the Burke-Hartke bill. United Auto Workers, Communication Workers, Pulp and Paper Workers

III. Suggested techniques for educating your community

Small meetings: Plan to hold a series of small meetings to develop public awareness of trade issues and to mobilize support for liberal trade. Ask your allies to join you in planning these meetings. Perhaps the head of a company would hold an open house for his employees and their families and invite a League speaker.

Visit community and state leaders: How does your mayor feel about trade? If he supports the League's position, ask him to issue a statement. How about your state legislators? Governor?

Use the media: If you already have a regular radio or TV program, or newspaper column, use it to talk about trade.

Begin and continue a letter-to-the-editor campaign in the local press, getting as many business people involved as possible. Use the letter column to follow up an editorial or a feature article on trade. Ask your newspapers to carry trade news in a section of the paper that has a wide audience. Send clippings to your Congressmen.

GET THE MESSAGE ACROSS THAT TRADE IS EVERYBODY'S BUSINESS.

MEMO

TO: Sid (copy to Liz and Helene)

FROM:

Mary Ann

SUBJECT Reply from Congressman Karth
re: MFN treatment to Russia

LEAGUE OF WOMEN VOTERS OF MINNESOTA
555 WABASHA
ST. PAUL, MINNESOTA 55102
PHONE: 224-5445

DATE 10-4-73

Here is a copy of M. Karth's letter--please send a copy along to National with whatever comments you feel appropriate. Do you feel we should reply to him with League position-related comments? Let me know what you advise--I'll be happy to read any drafts that may come out of this exchange!! Thank you.

JOSEPH E. KARTH
4TH DISTRICT, MINNESOTA

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HOUSE COMMITTEE ON
WAYS AND MEANS

Congress of the United States
House of Representatives
Washington, D.C. 20515

OCT 1 1973

September 26, 1973

Ms. Mary Ann McCoy
League of Women Voters of Minnesota
555 Wabasha
St. Paul, Minnesota 55102

Dear Ms. McCoy:

Thank you very much for your recent telegram concerning the granting of Most Favored Nation treatment to Russia.

I feel the granting of MFN treatment to assist the Soviets in solving their economic-political-social problems at this time is wrong or building the new B-1 bomber, Trident submarine, etc. to protect ourselves from the untrustworthy and militaristic Soviets is wrong. We cannot have it both ways.

Secondly, to enhance the profit picture of a relatively few at the potential (if not real) expense of national security, should not be a policy of our government.

Our recent experiences with wheat, corn, rye and the recent experience the Europeans have had with the sale of butter to the Soviets, indicates clearly that additional trading experience without MFN is advisable for at least another year or two. I firmly believe that caution <u>now</u> is appropriate.

I do favor granting immediate MFN treatment to many of the communist satellite countries. There are many apparent political reasons for this. Certainly that action seems to me as the better immediate approach.

Not only do I support the Mills-Vanik bill, Vanik and I are the principal supporters of it in the Committee on Ways and Means.

Ms. Mary Ann McCoy
September 26, 1973
Page 2

I am also an author of the amendment and have no intention of changing that position.

It was thoughtful of you to give me the benefit of your views on this most important issue.

With best wishes, I am

Sincerely yours,

Joseph Karth

Joseph E. Karth
Member of Congress

JEK:pw

overseas development council

1717 Massachusetts Avenue, N.W. / Washington, D.C. 20036 / Telephone (202) 234-8701

Adjustment Assistance:

American Jobs and Trade with the Developing Countries

by Charles R. Frank, Jr.

National decisions taken this year in preparation for world-wide trade negotiations will set the pattern for international economic relations for decades to come. It is important for the United States to seize this opportunity to help create the kind of international economic system that will benefit both Americans and those in the poor countries.

The developing countries have a vital stake in trade with the developed countries. About 80 per cent of their foreign exchange receipts come from export earnings. To meet the pressing basic needs of their people, these countries will have to achieve a fourfold increase in their manufactures exports during this decade. But this can only be done if the rich countries open up their markets to these imports, by making major adjustments in their own economies.

Still less widely recognized is the increasing dependence of the developed countries themselves on a more open trading system. In the United States, for example, we will need to more than double our exports in the 1970s to finance the additional imports, such as petroleum and other raw materials, that we will require by 1980. And it must not be overlooked that last year our exports to developing countries almost equalled our total exports to Japan and the enlarged European Community.

Yet despite this increasing importance of both imports and exports to our own well-being, the pressures for restrictions on U.S. imports are growing stronger. Such import barriers might preserve some American jobs--but only at the cost of much higher consumer prices, lessened ability to import what we need from other countries, and a decline of both present and potential jobs in our export industries.

Charles Frank analyzes who would suffer from increased import restrictions, and builds a strong case for the alternative: an effective program of adjustment assistance for import-affected workers and industries. Drawing on his testimony before the Committee

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on Ways and Means of the House of Representatives, the author points to serious deficiencies in the proposed Trade Reform Act of 1973 now being considered in Congress. He offers specific recommendations for a more adequate adjustment assistance program that would take into account both our own domestic consumer and employment needs, and the development requirements of the world's poor countries. Charles Frank is a Senior Fellow at the Brookings Institution, where he is on leave from the Woodrow Wilson School of Public and International Affairs, Princeton University.

The study also includes an annex that is very relevant to the consideration of a U.S. adjustment assistance program: the results of an ODC-sponsored survey of American attitudes on foreign trade.

June 1973, 50 pp. Price: $1.00

SPECIAL 1973 SUBSCRIPTION OFFER

Individuals and institutions can obtain the Overseas Development Council's entire 1973 publications output for a special discount price of $10. The Council publishes some 16 titles a year in its Monograph, Development Paper, Occasional Paper, and Communique series. In addition to the titles marked by asterisks (*) below, the 1973 subscription offer so far includes Smaller Families through Social and Economic Progress (Monograph No. 7, $2.00); World Poverty and Development: A Survey of American Opinion (Monograph No. 8, $2.50); Power and Peace (Development Paper No. 12, $.50); Growth with Justice: A New Partnership? (Communique No. 18, $.10); and Environment and Development (Communique No. 19, $.10); U.S. Cooperation with the Developing Countries in the Mid-1970s (Communique No. 22, $.10).

Other ODC Publications on Trade:

*The United States and the Developing World: Agenda for Action, ed. by Robert E. Hunter. A collection of 11 essays, including several relating to trade issues. Price: $2.50

*U.S. Trade Goals and the Poor Countries, by Guy F. Erb, Communique No. 20, July 1973. Price: $ .10

Protectionism, American Jobs, and the Poor Countries, by James W. Howe, Communique No. 17, October 1972. Price: $ .10

*The Changing Face of Food Scarcity, by Lester R. Brown, Communique No. 21, August 1973. Price: $ .10

*Population and Affluence: Growing Pressures on World Food Resources, by Lester R. Brown, Development Paper No. 15, August 1973. Reprinted from Population Bulletin, published by the Population Reference Bureau, Inc. Price: $1.00

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Trade and Investment Relations Between Developed and Developing Countries: A Review of the State of Knowledge, by Harald Malmgren, Occasional Paper No. 2, October 1971. Price: $1.00

Coming Trade Wars: Neomercantilism and Foreign Policy, by Harald Malmgren, Development Paper No. 2, December 1970. Reprinted from Foreign Policy. Price: $ .40

have a firm time limit so that they encourage, and do not impede, the necessary changes in our economy.

Tariff preferences. Most poor countries lag behind the rich countries in world competition for sales of manufactured goods. To offset the disadvantages of the poor countries, the United States and other developed nations pledged in 1970 to apply lower or zero tariffs (tariff preferences) on manufactured imports from developing countries. Such a system of tariff preferences is,included in the Trade Reform Act of 1973. This is a step in the right direction, but the proposed U.S. tariff preferences have limitations that would reduce the advantages in the U.S. market for many developing countries. These limitations could be overcome by guidelines calling for the widest possible product coverage, removal of restrictions on the amounts of trade eligible for preferences, and elimination of elements in the proposals which give rise to uncertainty about the extent or duration of preferential treatment.

Multilateral Trade Negotiations. Even at best, however, tariff preferences were never intended to meet all the trade problems of developing areas. Therefore, international negotiations are needed to lower tariff and non-tariff barriers facing products from developing areas.

In the multilateral trade negotiations, the other industrialized nations as well as many developing nations will try to negotiate general, or "most-favored-nation," tariff and non-tariff concessions with the United States. The developing countries will also try to eliminate the paradoxical result of past trade negotiations, which have left the rich countries' tariffs on trade with the poor countries about twice as high as their tariffs on trade with each other.

Thus Congressional authorization of U.S. participation in the negotiations is of critical importance for the achievement of the trade goals of both the United States and other trading nations. It is awaited by rich countries as evidence of U.S. intentions in the trade talks, and by poor countries, whose access to rich-country markets is a major determinant of their development strategies. For the United States, authorization to negotiate—together with a strong adjustment assistance program—is the key to increased exports to balance our growing import needs and to job creation in our export industries.

July 1973

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World Trade: Engine for Global Progress, by Harald Malmgren and Joe Kimmins, Communique No. 1, revised, March 1972 ($.10).

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odc communique on development issues

Overseas Development Council/No. 20

U.S. TRADE GOALS AND THE POOR COUNTRIES

by
Guy F. Erb

International trade affects all Americans. It concerns both foreign policy and domestic policy, and directly affects the well-being of American consumers, workers, and industries. Amid much debate, Congress is currently considering "The Trade Reform Act of 1973"—a request by the Administration for substantial authority over all trade questions. Other proposals on trade and domestic adjustment to imports have come from within the Congress itself. Decisions taken this year will affect the American people and foreign countries for a decade or more.

The developing countries rely on foreign trade to buy 80 per cent of the goods they need for their development, and thus have a vital interest in trade decisions taken by the United States. Many are increasing their earnings by exporting manufactured goods and are looking to the rich countries as markets. The United States, for its part, increasingly needs the raw materials and consumer goods these countries can supply. Can U.S. and poor-country interests be reconciled in a new round of international trade negotiations?

Is Trade with Poor Countries Important to the United States?

The U.S. economy is becoming more and more dependent upon other countries for many of the items consumed by American industries and families. Although much of our trade is with other rich countries, the world's poorer areas are critically important to the United States as suppliers of needed raw materials and inexpensive consumer goods. In 1972, the poor countries provided 28% of U.S. imports—a greater share than provided by the enlarged European Community. Developing countries are also important markets for U.S. exports. In 1972, about one third of U.S. exports went to the developing world (as much as to the European Community and Japan combined).

Shortages of fuel oil and gasoline now highlight the increasing dependence of the U.S. economy on foreign sources of petroleum and other essential supplies. How can the United States meet its increasing needs for foreign goods? Some imports can be purchased with earnings by U.S. investors overseas and by sales abroad of U.S. technology and services. Most of the U.S. import bill, however, must be met by expanding sales abroad of U.S. products. The United States is thus highly dependent on the purchasing power of foreign markets. These markets, in turn, are greatly affected by U.S. policies toward their imports. A U.S. economy open to goods from other countries would help the United States achieve its own objectives by allowing poor countries to earn more foreign exchange, and therefore purchase more American goods. In 1972, for example, U.S. imports from Latin America increased by 17 per cent, but in the same year Latin American imports from the United States also increased by more than 14 per cent.

Why Does the United States Need Improved Trade and Monetary Systems?

A more open world economy would, among other things, help the United States to achieve its own trade and balance-of-payments goals. Trade barriers now make it difficult for world trade and payments systems to function. Many nations, both rich and poor, face problems in settling international accounts; exchange rate changes, such as the U.S. devaluations of 1971 and 1973, do not always bring rapid results. Moreover, the underdevelopment of poor countries keeps them from playing a full role in the world economy. Their internal markets are limited by poverty, while their imports of essential goods are often limited by inadequate export earnings and insufficient financial transfers from rich countries. If the poor countries' exchange problems weaken their demand for imports, U.S. export sales to them may also suffer. Trade liberalization leading to increased exports from poor nations thus would help the international trade system to work better, and would bolster on-going efforts in the International Monetary Fund to achieve smoothly operating international monetary arrangements.

U.S. participation in a more open world economy would bring both benefits and costs. American exports of high-technology products have been increasing, and would probably continue to increase. Each additional $1 billion of exports creates an estimated 80,000 jobs. But even greater efforts to promote U.S. exports to all markets would be required, particularly to those poor countries facing shortages of foreign exchange and severe development problems. Congress is currently considering a proposal for an Export Credit Development Fund which would meet that objective.

As consumers, Americans would also benefit from the removal of tariff and non-tariff barriers that add about $300 to the yearly expenses of the average U.S. family. But the gains by consumers are likely to be accompanied by losses for individual workers, firms, and communities affected by increased imports. Legislation to help workers to adjust to trade changes and to seek higher paid, more productive jobs is the underpinning of the open trade policy that the U.S. economy will require in the 1970s. Thus adequate "adjustment assistance" provisions are the domestic policies which link together U.S. economic efficiency, jobs for American workers, and the trade needs of poor nations.

Will Americans Support an Open Trade System?

What do Americans think about trade questions? In a recent nationwide public opinion survey sponsored by the Overseas Development Council, the question "Do you favor free trade with poor countries?" was answered "yes" by 41% of the respondents; "no" by 34%; and "not sure" by 25%. Those who opposed freer trade or were not sure about their feelings were then asked how they would feel if workers affected by imports suffered no financial loss and were retrained for equal or better jobs. Under this condition, 67% of the total respondents favored freer trade with poor countries (15% were opposed and 18% were not sure). Thus the survey suggests that if adequate programs of adjustment assistance were established, two out of three Americans would favor granting poor-country exports freer access to the U.S. market.

What Are U.S. Policy Choices?

Future U.S. trade policy options range from increased restrictions on both exports and imports to the authorization of a new round of talks aimed at liberalization of all barriers to world trade. Nearly all aspects of U.S. trade policy are significant to developing areas, but the policies that will affect those areas most directly are: adjustment assistance, import safeguards, tariff preferences, and the authority for trade negotiations.

Adjustment Assistance. Compared to the existing adjustment assistance provisions, the proposals of the Trade Reform Act would actually reduce benefits to workers affected by trade. Yet, the government could well afford to provide more funds and resources to help American workers, firms, and communities adjust to trade changes. Greatly strengthened programs are needed to retrain and compensate workers for losses resulting from trade, and to help workers by granting tax credits to firms that aid their workers in the adjustment process. The annual cost of an expanded adjustment assistance program is estimated at $150-$200 million. This is very little, when measured against the human costs of unemployment or the billions of dollars which are lost through trade restrictions each year.

Import safeguards. Temporary import restrictions to slow down rapidly rising imports are called "safeguards." While such safeguards can allow time for the domestic economy to adjust to trade, they can also hinder poor-country export growth and lead to foreign retaliation—since other nations are not likely to stand by while the United States, or any other major trading country, imposes new barriers on trade. Therefore, tariff or quota safeguards should be internationally agreed upon, to guarantee a fair trading system to all countries. Moreover, safeguards should

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memorandum

League of Women Voters Education Fund

THIS IS GOING ON DPM
December 14, 1973

TO: State and Local League Presidents (for International Relations Chairmen)

FROM: Ruth Hinerfeld, International Relations Chairman

Enclosed at long last is the report on the League of Women Voters Education Fund trade conference, "Tackling the Trouble with Trade: From Tashkent to Topeka to Tokyo". The report is our way of sharing with all Leagues the information and ideas exchanged at the conference. I hope that international relations committees will find it useful as a resource tool, and even more important, as a spur to planning more community education programs on trade. As you know, the trade debate is approaching its peak in Congress, and it is vital that all citizens, whatever their views, be informed of the issues and have a chance to participate in community discussions. The League can be the leader in providing the information and forums needed for community education. I hope this report is a help in your planning.

The Overseas Development Council (ODC) has generously provided copies of a very relevant publication, "U.S. Trade Goals and the Poor Countries", for enclosure in the presidents mailing and DPM. Also enclosed <u>in the presidents mailing only</u> are: UNA-USA Policy Panel Report, "Foreign Policy Decision-Making: The New Dimensions", a summary of the ODC publication, "Adjustment Assistance: American Jobs and Trade with the Developing Countries", and a listing of new ODC publications.

Happy Holidays!

TACKLING THE TROUBLE WITH TRADE– from Tashkent to Topeka to Tokyo

A Report on the League of Women Voters Education Fund Conference, July 10-11, 1973

Agenda

Tuesday, July 10

1:30 p.m. Greetings, Lucy Wilson Benson, Chairman & Ruth Hinerfeld, LWVEF National Board

2:00 p.m. "Approaching Negotiations – the U. S. Point of View" Ambassador William Eberle, Special Representative for Trade Negotiations

3:15 p.m. Panel Discussion: "International Perspectives on Trade" Moderator: Carol Stitt, Staff Director, House Republican Task Force on International Economic Policy

Panelists: Adolfo Comba, Directorate for External Relations, Commission of European Community
Guy Erb, Senior Fellow, Overseas Development Council
S. Hayashi, First Secretary for Economics, Japanese Embassy
Yuri Malov, Assistant Commercial Counselor, Soviet Embassy

5:30 p.m. Cocktail Reception

8:00 p.m. Discussion Groups

Wednesday, July 11

9:30 a.m. "Congressional Perspectives" Congressman James Burke (D. Mass.) – Congressman Barber Conable (R. N.Y.)

10:45 a.m. Panel Discussion: "The Domestic Implications of International Trade"
Moderator: Ruth Hinerfeld, LWVEF

Panelists: James Kelly, Program Manager, Economic Developments Analysis, IBM Corporation
Stanley Ruttenberg, President, Stanley H. Ruttenberg & Associates and former Assistant Secretary of Labor
Robert Lewis, National Secretary, National Farmers Union
Richard Frank, Attorney, Center for Law and Social Policy

12:30 p.m. Lunch Break

2:00 p.m. "Talking About the Issues"
Film – "Where's Joe?"

Reaching the Public – David Apter, President, David Apter & Associates

Community Surveys – Marianne Steigerwald, League of Women Voters of Wisconsin and Jennifer Smith, League of Women Voters of South Carolina

4:00 p.m. "The Interdependence of the Economic World: Challenges of the Future" – Peter Peterson, Vice-Chairman, Lehman Brothers Investment Bankers, and former Secretary of Commerce

5:00 p.m. Break

7:30 p.m. Dinner
Speaker: Congressman John Culver (D. Iowa)

Foreword

Those of us who had the opportunity to participate in the LWVEF Trade Conference had a unique chance to explore problems and exchange ideas with opinion leaders and policy makers in the international trade field in order to do a better job of bringing trade issues to the attention of our communities. We were sorry that the conference had to be limited to only 60 state and local League representatives. Those who did attend gained new perspectives and insights from their experiences. This report is our way of sharing those experiences with all of you so that you can pass them on to others in your community. The report, primarily abstracted from the remarks of the program participants, includes some ideas on how to bring international trade issues to the attention of local communities.

Lucy Wilson Benson
Ruth J Hinerfeld


Lucy Wilson Benson


Ruth J. Hinerfeld

Discussing the Issues

"Approaching Negotiations — the U. S. Point of View"—*Ambassador William Eberle, Special Representative for Trade Negotiations*

I will try to give you a brief run-through of some of the things that I think are important to the United States in the coming negotiations—what our problems are, what the issues are, how these will be decided.

First of all, we must recognize the interdependence between political security and economics. I'm not suggesting in any way that the one is held hostage for the other but simply that if we're going to do a good job in maintaining harmony throughout the world, each must be managed so that the atmosphere in one does not become bad and flow over to the other.

We also have an interrelationship among trade, monetary policy and investment policies. What needs to be developed is a total economic system—one that has these three ingredients (three individual, self-supporting systems), trade, monetary and investment—continually moving in balance. We need a system which will allow free flow of capital, trade and investment. We're no longer talking in terms of free trade or protection. What we're talking about is how do we continually increase and maximize trade.

We are trying to move from a period of confrontation in the world to an era of negotiations. I don't say that lightly, because this really means that we have to do a better job of managing a whole range of issues, regardless of what they may be, in a way to solve problems, taking each one as they come along so we don't get to a confrontation. And that means we have to have better international management than we've ever had before.

Talking specifically about trade, this Administration has two objectives: to seek a more open world to expand trade, and to improve the trading system. To do this, we need *bilateral* negotiations to help solve specific problems; then we need *multilateral* trade negotiations in which to try to solve some of the broader-based problems we must face in the years to come. On the multilateral side, what we want to achieve is a general lowering of trade barriers across the board. Tariff cutting is only one segment of these negotiations. It's an important one, but in perspective it may not be as important as some of the other things we're going to try to negotiate in both agriculture and in industry.

We are seeking to focus on nontariff barriers (NTB) like product standards, for instance, which will be one of the hardest fought issues in the next negotiation. We are trying to work out what kinds of standards we can agree on, so that if you make a product in one country you know that if you meet a minimum standard you can sell your product in all those countries that have agreed to accept the international standard. This is terribly important, because it will allow products to be produced on a broader basis—mass production at lower costs—for people of the world. It's the kind of negotiation that will be very difficult, and yet we're well on our way already in a draft form of an international standards code.

Government procurement is another NTB we're working on—probably one of the most important for the United States. The tremendous use of government power has changed the nature of competition throughout the world. And because it is so powerful it is politically important. It will be extremely hard to get at. In most cases where they are used (e.g. "Buy American" policies in the U. S.) the result is a rise in prices of goods to the government. If we can't eliminate these restrictions, we ought to find a way to harmonize them throughout the world.

We would hope also to achieve a substantial lowering of the tariffs. There's even been talk about possibly going to zero. Over the long term that may be our objective, but in reality what we need to achieve first is a substantial lowering of these tariff barriers.

Obviously, the issues here are: which ones do you lower and how do you go about it? The European Community and Japan would like to see the United States lower its high tariffs before they lower any of theirs. We have more high tariffs than anybody else.

The problem with that is that we also have more low tariffs than anybody else, and if there is no reciprocity by others when we lower some of our highs, then the only alternative we have is to raise some of our lower tariffs. We don't think that's desirable, but it will give you some idea of the kind of problem that we're going to confront. We think it's better to lower, generally, and to move in that direction.

Then there's the question: Do you make an across-the-board percentage cut in all tariffs? The stance of the European Community indicates that they prefer to harmonize tariffs by across-the-board lowering, although they have left the door open. My guess is that there are going to be a great number of ways of looking at tariffs and we'll have to use all of them if we're to be successful.

As part of the system of lowering barriers, we ought to develop an international safeguard provision to cushion abrupt market disruptions created by imports. By slowing down imports during a limited, phased adjustment period, they could give an affected industry time to adapt to new conditions. Sometimes such safeguard procedures are considered counterproductive in that they are protections. But it is our opinion that such guidelines, if generally accepted, would not be protectionist; instead they would help materially in moving us toward the goal of lowering or even eliminating trade barriers.

"International Perspectives on Trade"
—Adolfo Comba, Directorate for External Relations, Commission of European Community

The trade and monetary system that has prevailed since World War II has had to face important changes. First, the monetary leg of this system has crumbled almost completely. Second, there has been a far-reaching liberalization of trade since the postwar period, through bilateral but mainly multilateral negotiations. A third development is undoubtedly the question of the growing inequality between developed and developing nations.

We are now faced with a situation in which domestic welfare problems are so directly affected by trade liberalization that when one negotiates further progress in the latter, one in fact negotiates the former. Unless we are very conscious of this and say so, I think we run the risk of being less than straightforward in defining our objectives and our stance in trade negotiations.

Ambassador Eberle has already pointed out that these negotiations are going to be much more complicated than the ones we had in the past. Tariffs are important, but they are no longer as important as they used to be. The GATT statutes were mainly based on the importance of tariffs and the most favored nation clause. Now, of course, we are faced with problems in which the importance of NTBs is greater and agriculture as well. NTBs and agriculture are two areas which have not been well codified and disciplined by the GATT statutes.

As far as the EEC is concerned, the issue as to whether or not tariffs ought to disappear within a lapse of time is not so relevant at the present time. What we are interested in is in negotiating tariffs in such a way as to bring about what Ambassador Eberle has defined as a harmonization of tariff structures.

Tariffs in the EEC are hitched directly to trade preferences for the associated countries. When we negotiate tariffs, in a way we also negotiate these preferences. We have to keep in mind that we have contractual obligations with these partners and must consult them before negotiating tariffs.

It's fairly obvious that the effects of trade negotiations and concessions can be completely frustrated by chaos in the monetary field.

We are aware in the EEC that we do have to put our own monetary house in order, and we are all aware of the difficulties which underlie the problem of creating a European economic and monetary union. We feel very strongly that we can't go on to discuss trade unless we have a fairly clear view as to what is going to happen in the monetary field—whether we are going to be able to restore some sort of a viable international monetary system.

S. Hayashi, First Secretary for Economics, Japanese Embassy

We have recently seen the beginning of a long-awaited turnaround, both in the U. S. trade deficit with Japan and in the overall U. S. deficit in its trade with the world.

U. S. exports to Japan increased 61 percent during the first four months of 1973, compared with the same period the year before, while U. S. imports of Japanese goods increased only 10.7 percent. In March, American exports to Japan reached their highest level in history—$772 million, and in May, U. S. trade with Japan was in surplus for the first time since February, 1971.

The gloomy assessment that the United States had permanently lost its capacity to compete on equal terms in the world market has not been borne out. The judgment that only the most drastic protectionism would restore the U. S. trade performance is also being contradicted by events.

The turnabout we are witnessing has been accomplished not by unilateral restraints on free trade, but multilateral cooperation to improved U. S. competitiveness. It is being done not by restricting U. S. export but by vigorously expanding U. S. exports.

The most significant multilateral measures were, of course, the currency realignments of the past twenty months. These resulted in a 35 percent revaluation of the yen in relation to the dollar and major revaluation of other currencies.

At the same time, America's major trading partners, especially Japan, have taken various corporate steps to improve American access to foreign markets. For example, we accelerated our Kennedy-Round tariff reduction commitment, made unilateral tariff cuts across the board, and eased a few remaining import quotas. We also dismantled our export incentive program and now are actively promoting import expansion as a matter of national policy.

I do not mean to leave the impression here that these policies are purely altruistic—not at all. It is in Japan's interest, as much as it is in the interest of the United States, to restore a manageable balance to our bilateral trade. It is also in our common interest to bring back into equilibrium, on a multilateral basis, most excessive U. S. trade and payment deficits and excessive Japanese surpluses.

There are good reasons to expect that the recent favorable trends in our bilateral trade can be maintained and even strengthened: the rapid rise in Japanese affluence (with per capita incomes already in excess of $3,000.00 a year); an import boom, especially in consumer goods; and fundamental shifts in domestic, economic and social priorities.

Many of the problems we face are similar, or require cooperation if we are to solve them. Take the common goal, for instance, of achieving a stable, inflation-free national growth, with full employment and improved environment. This goal is probably unreachable without a more efficient international division of labor and wider sharing of technology.

We all need fair access to the world supply of energy and raw materials. This implies closer consultation and cooperation among consumer nations and new forms of cooperation between consumer and producer nations. It implies world-wide cooperation for more efficient use of scarce materials, and cooperative research in the development of new energy sources and raw materials, and raw material substitutes.

Let me summarize some of the important points in trade as I see them. I welcome the administration's Trade Reform Act, for the authority it provides to negotiate reduction of both tariff and nontariff barriers.

In the field of tariffs, I agree with Mr. Comba that the tariff is, in the next round, not as important as it was in the Kennedy Round, but, I feel entire elimination of tariff is something which should at least be discussed.

The question of the less developed countries will be a very important question in the coming international round. As you know, the European Community and Japan have already implemented a preference scheme which may not be enough, but we have made a beginning.

On the question of agriculture, we agree with the U. S. that agriculture should be included as a major element of the coming negotiations. However, here, I must express my serious concern over the recent

U. S. export controls on agriculture commodities, particularly on soybeans.

We have made efforts in the past to enlarge agriculture trade with the U. S. with a view toward expanding trade between our two countries. Japan has become largely dependent upon imports from the U. S. for major food grains and feed grains such as wheat, corn and soybeans. Export controls on such major agricultural commodities would have serious impact on our people's livelihood. Let me make particular reference to soybeans and soybean meal. In Japan, they are used not only for oils and feed, but also for such foodstuffs as soybean paste, from which we make soup, soybean sauce, soybean curd, all of which are essentials in the daily life of the Japanese people. A shortage of soybeans in Japan, which will arise from the U. S. export controls, will, indeed, have a serious impact on the daily life of the Japanese people. We sincerely hope that export controls are only temporary and will be lifted as soon as new crops come in.

We are becoming increasingly interdependent, and this requires more than a passive kind of cooperation. We should set about building a more stable world-wide economic structure, in which the gaps between rich and poor nations may be narrowed, and where the antagonisms between the different economic and social systems may, in time, become less hostile and, hopefully, irrelevant. The sensible things—the course for all of us to take—is to establish a wholly economic foundation of such a singular world community.

Yuri Malov, Assistant Commercial Counselor, Soviet Embassy

Trade between our countries is only partly open and not very much active at present. However, since the summit talks in Moscow in 1972 and in Washington last June, a new pattern of development has become evident in Soviet-American economic relations.

The first summit accord resulted in the signing of a number of important agreements on trade, on the settlement of lend-lease debts, on shipping, etc. After the second summit in Washington, the two leaders of our countries confirmed, in their joint statement, their firm intention to implement their earlier understanding on measures directed at creating more favorable conditions for expanding commercial and other economic ties between the U.S.A. and the U.S.S.R.

Present progress can be accelerated by entering of the Soviet-American trade agreement into force.

Let me touch here upon the only provision of this trade agreement that needs congressional approval. I am speaking about the MFN treatment that both sides decided to grant each other. I know that these letters, "MFN," mean little to most people; and when they are spelled out as "most favored nation" treatment, they create in many minds the wrong impression of special advantage. But actually, most favored nation treatment, in the proper sense of non-discrimination, has long been the basic principle of international law and trade practice. It simply means non-discriminatory treatment of commodities by countries engaged in mutual transaction.

As things stand now, when Soviet goods are exported to this country, they bear much heavier custom duties than goods from other countries the United States has trade relations with. For example, there is a duty six times higher for generators from the USSR than from the rest of the world, six times higher for aircraft, nine times higher for automobiles, six times higher for radio sets, four times higher for watches, twenty times higher for cement, three times higher for cotton fabrics, six times higher for ball bearings, five times higher for tires, ten times higher for lipstick, . . . and I could go on.

To tell you the truth, there are a few commodities which we can export to the United States without paying any custom duty at all. These are snake skins, false lashes, cats for breeding and a few others—I wonder how many cats we should send here to balance our trade?

I believe that you're aware that the question of the MFN treatment for the Soviet Union has become a political issue in this country. Some American politicians are trying now to tie the current process of normalizing of Soviet-American trade relations with a certain artificial reservation that has nothing to do with commerce by itself. Such an approach is not new for us. It has been practiced against us in the past.

Thus, the immediate prospects for the development of Soviet-American economic and commercial ties will depend on how soon the American supporters of normalizing commercial relations with the Soviet Union can overcome the resistance of those who find it difficult to see past the dogmas of the cold war. However, it seems that the times and a number of important objective factors are operating in favor of the development of Soviet-American economic relations.

In conclusion, I want to repeat that the Soviet Union is interested in active and open economic relations with the United States, but not on any terms. Mutual respect, non-discrimination, and non-interference into internal affairs of the other state are necessary conditions for such relations. If our two countries go along this way, it is sure to bring both our states not only substantial economic benefits, but peace dividends as well.

As Emerson put it more than 130 years ago, trade makes peace and keeps peace.

Guy Erb, Senior Fellow, Overseas Development Council

I think it's safe to say that my colleagues on the panel representing developed countries feel that there's tough bargaining ahead in the forthcoming negotiations but that there is something to be gained on all sides. That view is not shared in the developing countries. They're approaching the negotiations with a great deal of caution.

Before we go into their attitudes, we ought to set the stage by looking at the importance of the developing countries to the United States. In 1972, the United States exported more to developing countries than to the European Community and Japan combined, and imported from them as much or more as from the European Community.

So we have passed the stage where one could think of the less developed countries (LDC's) as a secondary issue. They're no longer secondary trading partners at all. They are very significant on the world trading stage, both as traditional suppliers of the products we're all familiar with—bananas and coffee and copper, and as increasingly important suppliers of manufactured products. And here, also, we have to be careful not to fall into stereotypes. It's not just textiles and shoes. Electronics, auto parts, all sorts of finished products are now entering world trade from countries that we too easily assume are banana republics.

Why is it, then, that they are nervous or cautious about these negotiations? Partly from past experience, they know the difficulties they face. The Kennedy Round, which liberalized tariffs to the degree of about 35 percent on goods mutually traded by rich countries, only reduced tariffs on the products of interest to developing countries by about 20 percent. The paradoxical result of this is that the duties on goods imported by the U. S. from poor countries are about twice as high as they are on goods from rich countries, so that we're charging the poor twice as much as we charge the rich to import to us.

In addition, non-tariff barriers hit developing country trade particularly hard. The less developed countries, therefore, are very concerned that the rules which will guide trade negotiations take their interests into account. They're worried that the existing disparities in tariff and non-tariff treatment on their goods will be perpetuated in this round of negotiations.

Another problem is that of tariff preferences. A tariff preference offers them, in effect, a special deal—but a deal that can be eroded to the extent that tariffs are lowered among rich countries. Therefore, they're very, very worried that what they have achieved after long bargaining in the GATT and in the UN Conference on Trade and Development will be mitigated by these very trade and tariff negotiations that are now under discussion.

To elaborate a little bit on the tariff preference issue—in the U. S., there is a danger of thinking that now that we have tariff preferences we have solved the developing countries' trade problem. Far from it. The proposed system of the U. S. and the existing preference systems of other developed countries are so limited in their trade impact and so restricted by various limitations, that, in fact, they only solve a very small portion of the trade problem of developing countries.

Just to give you an example: in 1971, total U. S. imports from developing countries amounted to $11.5 billion. Of this, about $4 billion were already duty-free. Dutiable imports, then, were about $7 billion. Now, that's the amount that comes to mind when you think of the items on which we'll give tariff preferences. But, what's the situation?

The Overseas Development Council looked at a sample of about 75 countries which accounted for over $5 billion worth of dutiable imports in 1971. Less than half of these imports would be eligible for liberalization, either through preferences or through tariff negotiations, after you leave out petroleum, textiles, and other import-sensitive items such as shoes or stainless steel flatwear—the litany of items which are restricted by one import restraint or another. Of that figure (less than half of $5 billion), according to our unofficial estimates, only a third would have been eligible for tariff preferences. So, now we're way down to $800 million, having started from $5 billion worth of dutiable goods. You can see why I say that tariff preferences will not solve the problem.

We're really talking about a much broader problem—market access. And that brings us back to the U. S. and the subject of adjustment assistance. Without it, there will be almost irresistible urges for industries and firms in this country to have recourse to import relief. It may seem a little paradoxical for the representative of an organization concerned with overseas development to come back and say that we're very concerned about domestic adjustment assistance, but that's because trade policy is also domestic policy. It concerns the poor in Brazil and in India just as much as it concerns the workers and the firms in this country.

"Congressional Perspectives"—
Congressman James Burke, (D-Mass)

I was on the Ways and Means Committee in 1962 when we passed the so-called "Kennedy Round legislation," the "free trade" bill. I supported it very enthusiastically; in fact, I was very active on the floor of the House and in the committee seeking its passage. I believe in an expansion of trade, in spite of the fact that I've been hung in effigy in about 25 countries around the world. But I believe that trade is a two-way street.

After the Kennedy Round, when the GATT agreements were signed, our nation had reduced tariffs on 6,000 items by 50 percent, while our trading partners reduced theirs by 30 percent. After these reductions were put into effect, we immediately found that our trading partners throughout the world were instituting all kinds of trade barriers, through such gimmicks as border taxes and restrictions on import licenses. They had all kinds of gimmickry to prevent our goods from getting into their markets.

It's interesting to note that some countries prevent the importation of any automobile that happens to be longer than the shortest car we make. In other words, a car that's two inches longer than the smallest car we make cannot be imported into that country. If you look around the highways and byways of the country you'll see Toyotas and Datsuns riding all over our roads, yet a Pinto car that retails for about $2,000 here would have to retail for $6,000 in Japan. A country like Argentina has a 100 percent tariff on leather goods; we have a five percent tariff on their leather goods coming into our country.

You can read the whole roster of nations that have protectionist policies and they range from Canada, Japan, Great Britain, the European Common Market. Almost every country in the world that we trade with has protectionist policies.

They have quotas; they have high tariffs; they use every possible means to make it difficult for us to get our goods into their country.

In 1962, when the trade bill was being discussed in the Congress, we had a $7 billion trade surplus. Ten years later, in 1972, we had a trade deficit of $6.5 million. That meant a $13.5 million annual shift in trade.

Take a trip around to the stores here in Washington, or up in your own neighborhood. Go in and try to buy an American-made television set or radio or transistor. If you've got any youngsters at home that like to play baseball, see if you can buy an American-made baseball glove. Imagine—the national pastime and you can't buy an American-made baseball glove. Go into a shoe store and try to buy an American-made pair of shoes.

People say that foreign-made goods save the consumer money. I've got news for you. It saves the consumer very little once imports get control of the market. We have followed the shipment of a pair of shoes into the city of Boston, where they arrive at the cost of $4.50 a pair, right down to the retail outlet where we found them selling as high as $29.95.

Liberal traders tell us they'd like to help the undeveloped countries. I'd like to help them too, and I want to help the people there. But what are the manufacturing conditions in Korea? They have 10-year-old children standing on boxes, operating machines, working six days a week, ten hours a day. Talk about exploitation of human beings, this is the most disgraceful condition that exists in the world.

We've lost over one million jobs in America since'65; they've been lost permanently. Plants have closed down, and then you hear the ultraliberals talk about their concern about the minorities—how they'd like to help the Chicanos, the blacks, Puerto Ricans. What have they done? In the city of New York, in Harlem, Brooklyn, over 150,000 jobs were lost in the handbag industry, in the hat industry, in the garment industry, in the footwear industry. And where did those 150,000 people go? They went on welfare. Then the other group, the ultraconservatives, point at these people and say they are violating the work ethic: they should be working for a living, not drawing welfare checks. But both the ultraliberals and ultraconservatives contributed to this unemployment.

Industries like the textile and footwear industries are highly labor intensive. They create a lot of jobs. And when you knock out 115 shoe factories in one section of the country (and over 185 of them have been knocked out all over the nation since 1965) you destroy small communities where that factory is the sole industry. And that's what's been done. That's why we filed the Burke-Hartke bill and why we've been trying to get the attention of the Administration on the import problems of industries around this country that have been seriously injured, disrupted, and the cause of high unemployment.

Congressman Barber Conable, (R-N.Y.)

The Burke-Hartke bill has contributed a great deal to balancing the environment on trade. In 1970, when the Mills bill was being considered, American business was almost completely disinterested in the quota issues that were involved in that particular bill. Burke-Hartke ended their disinterest. I think that Burke-Hartke remains the anvil on which any compromise trade legislation will be hammered out. Presumably the thrust of the administration bill is liberalizing.

However, due to a rather unfortunate internal dialogue in the White House and a conviction that if they could bring in a balanced bill it would go through Congress like a dose of salts, the Administration has compromised its position, while Burke-Hartke remains pristine and unsullied, awaiting compromise in the Watergate, post-Vietnam era. These are the unfortunate dynamics of compromise implicit in the legislative process. And I think it represents bad strategy on the part of the White House.

Another concern of mine about the administration strategy in support of the trade bill has been their tendency to have heeded pure economic advice, and long term fiscal concerns in virtually eliminating adjustment assistance from their recommendations. George Schultz has said, "Let's not have a special adjustment assistance program, let's instead nationalize the standards for unemployment insurance so that everybody can get unemployment insurance regardless of the cause of their loss of job." And, of course, he has set the national standard at a fairly low level for fiscal reasons as much as anything else.

If you are vesting the President with some degree of discretion about the administrative and other remedies available to the people aggrieved by imports, you're giving him two choices; 1) close the door and shut the imports out; or 2) make available some relief to those damaged by imports. But, if he has no really liberal adjustment assistance program, inevitably the only alternative open to the President is to shut out imports. And the fact is that adjustment assistance is considerably less expensive to the public at large than the closing off of imports, which has a great impact on the price of things the public buys. I am convinced that we are going to have to put a liberal adjustment assistance provision in the trade bill.

The overall philosophical, political objection that's uppermost in the minds of the Ways and Means Committee members (and it's going to be uppermost in the mind of the Congress considering this trade bill) remains the issue of the degree to which discretion should be vested in the President. It's a tight-rope walk. Obviously, if he has no discretion, why should our trading partners come to the bargaining table? How can we expect an atmosphere of negotiation in which mutuality can be sought? And yet quite obviously if we give the President complete discretion, we're likely to have some rather strong political backlash.

One further strategic question has to be dealt with, and that is the issue of the taxation of foreign source income. The administration compromise on that issue satisfied no one. It's very difficult not to have an attitude toward multinational corporations. Most people think of them as though they were all ITT and all engaged in nefarious pursuits, because "multinational" somehow sounds like a sinister kind of octopus reaching out and gathering up countries.

Multinational corporations are a fact, and our taxation of them is a rather significant description of our attitudes toward developing countries. Because with the tax incentives now implicit in the foreign tax credit, the developing countries know that an American multinational is likely to plow profits made in that country back into an expansion of the industrial base in that developing country. The developing countries desperately want the advantage of American technology and know-how in raising their own standard of living, yet we are in a period when we are, by force of circumstance and by force of Senator Fulbright, cutting back on foreign aid. Thus, what we do with the foreign tax credit has a good deal to do with developing countries' attitudes toward us.

If you assume a fairly neutral multinational corporation, (and I admit that they have not all been that way) I think the developing countries would prefer to see us retain the kind of incentive that taxes profits made abroad only when they are repatriated in the United States.

Congressman John Culver, (D-Iowa)

The consideration of the trade bill by Congress and the imminence of concurrent trade and monetary negotiations can have momentous consequences for both our foreign policy and the future character of our economy.

How we handle the trade bill will be a shaping force for national foreign economic policy for years to come. It could have paralyzing effects; it can be liberating. This is not an isolated or intramural domestic drama. How the trade bill and associated issues are handled is integral to the positions of our trading and economic partners and to the confidence they place in our economic good sense, stability, and staying power.

Equally the consideration of trade legislation—an event which does not occur more than once in a decade—or at even longer intervals—has large portents for our domestic economy as well. It is of heightening importance as it is plain to see not only in our historic relationships with the countries of western Europe, but also in our unfolding new relationships with the Soviet Union, Eastern Europe, China, and, of course, Japan. And if one considers so large a question as the future of our domestic energy sources, the pivotal importance of trade is inescapable. A spreading awareness of the changes in world trade brings with it a greater sense of dependency, of accelerated change, and of competitive vulnerability here at home. That is why it is especially important to seize the opportunity to mesh a trade adjustment and manpower policy with trade negotiations and initiatives.

Several facts are clear. Millions of American workers are gripped by the fear that imports are undermining their job security, and they are joined in this fear by diverse industries which feel the pressure of foreign competition. The concerns being voiced by labor and management in the adversely affected sectors of our economy are genuine concerns, and cannot be ignored or answered by resorting to the vague conceptual slogans of either "free trade" or "protectionism." The post-World War II economic system and era have come to a close, and a new set of domestic and international economic policies, relationships and institutions needs to be developed.

The United States must develop and pursue fresh concepts to meet the problem of economic dislocations caused by imports and further economic interdependence. This points unmistakably to the need for new trade legislation to confront the requirements of greater job security and opportunities for American workers—and in a way which is truly humane, effective economically, and consistent with the best interests of the U. S. role in the world economy.

In April and May of last year, the Subcommittee on Foreign Economic Policy, of which I am chairman, held seven days of hearings to examine workable mechanisms for economic conversion as an alternative to trade wars. The general consensus reached during the hearings was that trade adjustment assistance in its present form is *burial assistance*, but that a trade adjustment assistance program could be designed to provide prompt and effective assistance to workers, firms and communities who need it at a lower cost to the economy, and without the foreign policy disadvantages of import restrictions.

The emphasis today must be put on a better delivery system, more substantive assistance and an early warning network to spot in advance those industries and companies which are running into trouble. Then effective government assistance can be useful before the company is beyond hope and it can enroll workers into training programs before they are unemployed and their skills become obsolete. But, most important, the assistance must be adequate, practical and quick. Otherwise, we will always be in a position of doing too little, too late, and there will be no viable political alternative to protectionist tariffs and quotas.

Careful estimates indicate that an effective trade adjustment assistance program will cost not less than $150 million nor more than $500 million. These estimates must be compared to the costs of import restrictions. First, import restrictions can provoke trade wars which could seriously undermine our general economic health. As in the 1930s American jobs and exports will be lost, not gained, because of trade wars. Second, import restrictions hurt the U. S. consumer by reducing competition for domestic producers and permitting them to raise prices. It is estimated that present U. S. trade restrictions now cost U. S. consumers as much as $7 to $15 billion every year. In short, trade adjustment assistance is far less costly than import restrictions.

It is hard to justify helping workers suffering unemployment for some reasons while neglecting others whose unemployment arises from different causes equally beyond the workers' control. To a firm or worker thrown out of business by impersonal forces, it makes no difference whether the cause is increased imports, changing consumer choices, technology, or rapid and sudden shifts in government programs. Moreover, as our orientation toward a military economy winds down, and as the 1970s bring a new awareness of the human and environmental problems which confront the nation, we must develop an economic conversion program which will serve to shift industry from less productive areas to those for which there is need for greatly expanded services, manpower and capital investments—health, education, energy, housing, pollution control, mass transportation, and rural and urban development.

To deal more effectively with the problems of unemployment, inflation, low productivity, lack of competitiveness, worker dissatisfaction, and redirecting our economic priorities, the United States must commit itself to the development and implementation of national manpower and industrial policy programs.

However, with the imminence of new multilateral trade negotiations, it is all the more timely to concentrate on developing a workable trade adjustment assistance program, which can also serve as a demonstration model for a national manpower and industrial program.

We live in an era of "future shock." The social and human costs of economic dislocation caused by rapid technological change, changes in consumer tastes, government procurement programs, international trade, and other factors, make the development of effective adjustment mechanisms imperative.

"The Domestic Implications of International Trade"—*James Kelly, Program Manager, Economic Developments Analysis, IBM Corporation*

We have always had a divided attitude toward trade. We welcome imports because they represent a sensible way of dividing up the work of the world and help to raise standards of living. However, along with this, we find there are economic dislocations caused by trade which

are very painful, and have extremely adverse effects upon workers, their jobs, their means of livelihood, and entire communities, particularly one-industry communities.

How we react to this divided attitude depends on two things. The first is the pace at which imports grow; and the second is what is done to alleviate the dislocations that are caused by imports. In both of these respects, particularly the first one, we have had an unusual experience over the past ten or fifteen years. Imports have risen dramatically. It was not very long ago, for example, when people who owned Volkswagens waved at each other or blinked their lights or blew their horns. If a man who owns a Volkswagen today did that he would be considered out of his mind. Along with this dramatic rise of imports, our methods for coping with the resulting dislocations have been belated and inadequate. While the benefits of imports into this country are widely shared, the adverse impact of these imports hits relatively few people and perhaps isolated communities.

In the past, we have done very little to alleviate the pain of the change. If the buggy whip makers went out of business, that was just too bad for buggy whip makers. There was one radical effort to try to cope with competition from abroad, and it came about because the economy was in such bad shape at the time. That was the Smoot-Hawley Tariff in 1930; I don't think that anybody will disagree that it was an absolute disaster.

What we need now is an adjustment assistance program that goes far beyond anything that the Administration has suggested. It was mentioned this morning that adjustment assistance is usually regarded as burial assistance. I take the view that it need not be; but I don't deny the fact that no matter what kind of adjustment assistance you have, if you're going to have industrial shifts, there will have to be changes, and you're never going to absorb all the dislocations caused by them. Adjustment is going to involve some degree of retraining and relocation, but this is a price that we must pay in order to have a flexible and growing economy.

It has been proposed that instead of the adjustment system, we should pass something known as the Burke-Hartke bill. As far as I can see, if we actually did pass the Burke-Hartke bill in its entirety, the result would be a slower growth in the U. S. standard of living.

There are fashions in economic theory, and this can be dangerous. Now there's no doubt that imports have been giving us a very serious problem, and of course considerable dislocation and painful adjustments in the United States. No one questions the sincerity or motivation of those who want us to preserve U. S. jobs and protect them from imports. The trouble is that if as a nation we take their advice, we will come to regret it. Quotas would place the United States economy in a vise.

Stanley Ruttenberg, President, Stanley H. Ruttenberg & Associates and former Assistant Secretary of Labor

The one thing the Burke-Hartke bill has done beyond anything else is to create public awareness of an issue which is terribly important to every one of us, whether we're on one side or the other side of this issue.

The issue is not one of whether there are good guys on the one side and bad guys on the other, or whether it's free traders on one side and protectionists on the other. The issue is whether we can somehow face up to the problems we're confronted with in America today, and come up with answers different from what the academicians have been advocating historically for many, many years. Unfortunately, most academicians today are still advancing arguments in support of trade that they advanced a decade or two or three or even a century ago. And that's what bothers me about the whole issue of international trade.

It's been said that the most favored nation principle is the heart of the reciprocal trade agreement program, that whatever tariff reductions are made for one country are applicable to all countries participating in the General Agreement on Tariff and Trade. But has that really been the case?

I think it can be said that our concept of trade reciprocity, from Cordell Hull on, has been that if the United States kept its doors open, that would cause other countries to face up to reality and do the same. If we only set the example, others would do the same.

I ask you to only look at the results. I'm sure all of you are familiar with the European Common Market. Look at its Common Agricultural Policy and variable levy, and value-added tax which, from an international point of view, is nothing more than a border tax added to all imports and subtracted from all exports.

I am not criticizing the Common Market for doing what it did. The United States and most of us in this room, including myself, were strong supporters of the Rome Treaty and the concept of strengthening the European continent. But now as we reflect back, we ought to ask ourselves if that principle of reciprocity is still something that we can afford.

This morning Barber Conable said that we've got to do something about restrictions against U. S. imports, and that's why we need the trade bill—to be able to negotiate our barriers down in exchange for other countries reducing their barriers. But that's the same old concept of reciprocity. It didn't work in the past, and if I might say it this way, it ain't going to work now.

What we ought to be thinking about are restrictions similar to those which Australia, Japan, Canada, the Common Market and other developed countries of the world have imposed on us. We ought to consider imposing some, and then saying to those countries, "we won't remove ours until you remove yours." Instead our negotiating posture is "Please remove your barriers and we won't impose any."

We're not talking about stopping imports. We are talking about moderating the flow of imports into the United States so that we don't throw people out of work all of a sudden, so that imports don't have a serious impact on the domestic economy.

I think that objective might best be brought about by a set of restrictions that, in effect, says to the multinational corporation, "Since you have said you would prefer to produce in the United States if you could, and only invest overseas to get behind trade barriers, join with the rest of us in trying to get those nontariff and tariff barriers reduced so that you *can* export and produce in the United States." I don't think that result is implicit in any of the incentives that exist in present law which encourage multinational corporations to go overseas.

Basically, the U. S. does not have a very solid policy toward development of its own domestic economy, and we pursue our interests in the international sphere without concern for what our domestic policies ought to be. If the U. S. had a comprehensive policy as to what it was going to do with its domestic economy and took into consideration the impact of international trade upon that economy, I think we could go a long way toward developing a full-employment economy. Without such a policy, adjustment assistance will not be worth the 2 or 3 or 4 billion dollars a year we spend on it.

Robert Lewis, National Secretary, National Farmers Union

As far as agriculture is concerned, trade is essential and not just because American farmers export close to a quarter of the product of our American cropland at the present time. It's not just a matter of our farmers needing the markets—the world needs what they grow.

The United States produces about 1/6 of the world's grain, and grain accounts for 70 percent of the world's food supply. We in the U. S. are 6 percent—1/16 or less—of the world's population, but since World War II we have had in our possession from 2/3 to 4/5 of the world's food reserves. Right now, we have about 47 or 48 million metric tons of grain in reserve, and the total supply in the world is only about 60 million tons. That's the total reserve supply, and it isn't enough.

The United States needs agricultural exports for our balance of payments and international diplomacy. There's no question about that. The question is *how* we can do it, because the whole world needs it.

Another thing to keep in mind—what I consider the worst thing wrong with the world right now—is that the hungriest people are excluded from the world market. The rich countries put their highest import barriers—customs duties and quantitative restrictions—against the kinds of things made by poor people working without much education and without capital, without machinery, and without know-how and skill. These products, such as textiles and shoes, cause the problems that Congressman Burke talked about. The result is that the hungry people in the world are excluded from a chance to compete for their daily bread in a world market.

The other side of that coin is the fact that the world market is also rigged against our North American farmers who have the capability to supply the food those hungry people need.

There is a false notion that U. S. farm prices are supported even higher than they ought to be—that our farmers are subsidized. American farm prices are among the lowest 1/5 on earth. This has been true, more or less, since World War II. American farmers have managed to get along for about a generation, but they have had to make some drastic adjustments because American farm prices have been kept lower than what they would be in a free market.

As a result, we've lost about half our farmers. And in 1972 we had the smallest area of planted crop land since the turn of the century. We've shrunk our farm plant very severely, and this has caused very grave human problems. The problem of our cities is essentially the problem of our society's inability to absorb the children and the grandchildren of human cotton pickers who were displaced by machines after World War II.

Since World War II we have used up most of the advances in agricultural technology that couldn't be applied during World War II because of lack of capital. We have taken up the slack in our agricultural plant, and there isn't any slack left any more. Now we are in a real bind—we have the highest farm prices in a long time, but we have farmers drowning baby chicks and hog farmers selling their pregnant sows to the butcher; and we have dairy cows that could give milk for another year also going to the butcher, because feed costs are high and profit margins are tight, and we can't re-expand our agricultural plant, because there aren't any more farmers.

You don't make farmers in much short of a generation, and we have gotten rid of about half our farmers. About ½ our crop land has been retired, under government programs, or simply left idle, because prices aren't remunerative enough to keep it in production. Cropland doesn't come back simply by plowing it—you've got to have the plow and the

tractor and the machinery. There's got to be a lot of capital equipment as well as human capital to get the expanded agricultural plant that we need, and that will take higher prices than we have had.

Speaking of the price problem leads me to a critical examination of the Nixon administration's trade strategy. I think it's very, very wrong, and it's wrong basically and fundamentally because of its assumptions about what can be done with the agricultural sector. Its first fundamental error is the notion that America's balance of payments problem can be corrected by beating down the farm price support systems in the rest of the world and exporting cheap American products at lower prices. We just can't do it. Our agricultural plant cannot expand significantly at the kinds of prices that this Administration is thinking about.

The second fundamental error is the assumption that the U. S. will have enough agricultural exports to satisfy world demands. Instead, we need to have some kind of responsible, sensible system of reserves —for the world's food supply. There isn't any such system now. As a matter of fact, we are without adequate reserves in the world right now. If world crops in 1973 are like those in 1972, we're going to come up short of food and there is going to be wide-scale suffering as well as drastic economic dislocations.

With famine pending in India and Bangladesh, we can't deal with it. So we have to have some kind of reserve system and an international commodity agreement to assure satisfaction of these countries' needs through a stable product and a stable market.

As businessmen, we have to have reserves. We have to be able to assure our Japanese customers and our European customers and others who rely on us for their food that we're not going to have an export embargo on their major source of protein and that we are a reliable supplier.

What this all amounts to is the need for a system of international cooperation—of friendly governments working together, recognizing human needs and recognizing that agricultural price support systems are not an evil (and even trade barriers aren't really an evil), but a response to human needs as recognized by the various political systems that account for the government policies country by country.

Richard Frank, Attorney, Center for Law and Social Policy

One may wonder why consumers—so large in number—have such a meager role in determining trade policy. Consumers have a diffuse as opposed to a concentrated interest in trade. They are not well organized and seem unable to attract sufficient funds to engage in hard-hitting, competent advocacy that can approach the intensity and consistency of industry and union lobbying. Trade is a relatively sophisticated subject and one that Madison Avenue, on behalf of industry or unions or the Administration, can manipulate well to minimize popular support for consumer interests.

The average person, the consumer, may not fully understand the price of quotas and tariffs. She or he doesn't realize that U. S. trade barriers have cost American consumers at least $15 to $20 billion per year, an amount that raised the level of the Consumer Price Index two percentage points—as much as the administration's price wage controls were expected to reduce the index. And the average American may not realize the saddest element of trade barriers—that while they generally assist the inefficient and increase the profits of the already rich, their costs fall disproportionately on low-income families.

As a lawyer, I tend to a special focus on the question of why consumers have so little effect on trade policy. I see the question in terms of the laws passed by Congress and implemented by the Administration with procedures designed to exclude consumer interest and consumer participation. Let me give you some examples from the past and some forebodings about the future.

Steel, representing about five percent of our gross national product, is pervasive in the economy. Every time the price of a ton of steel goes up there is an effect on virtually everything.

In 1967, the American steel industry complained to the Department of State about increased imports. The Department of State looked but was unable to find any trade law that justified a barrier to protect the steel industry. It nonetheless negotiated so-called "voluntary" restraint agreements with Japanese and European steel industries under which the foreign producers agreed to limit exports to the United States. During these negotiations, intimate collaboration took place between government and industry, but no consultation whatsoever occurred with consumer representatives. The steel quotas were characterized as being temporary, yet in 1971, when they were about to expire, industry and the union approached the White House with two reasons to continue the restraints for another three years. The first reason was that quotas were again needed because of excess world supply and a pending domestic strike which would have given foreign exporters a special marketing opportunity. The second reason had something to do with campaign contributions.

And so voluntary restraint arrangements were again negotiated in close collaboration with industry and the union. Consumers requested but were denied an opportunity to see any factual predicate for the negotiation of quotas or to have an objective evaluation of injury by the Tariff Commission.

The price of steel has increased dramatically during the period of

these restraints. It increased five times more during the first three years of quotas than it did during the eight years preceding quotas.

Why were consumer interests so abused? One should realize that the executive branch followed no laws and no procedures and gave the consumer no meaningful opportunity to participate in the decision-making process. Consumers have challenged the steel quotas in court and have obtained a favorable decision at the trial court level.

I somehow have the feeling that the postscript of the steel story will not be unlike the meat and oil fiascoes. You may recall that the Administration, in spite of consumer protest, was strongly advocating and vigorously implementing meat quotas in 1972. Then, in what must have seemed rather bizarre behavior to the bystander—quotas were temporarily removed and the Administration, (days before protectionist) was on hands and knees begging foreign producers to send more meat to the United States. The Administration until 1973 staunchly defended oil quotas. Now it has drained America first and it is imploring foreign producers to send us more oil.

There is no longer a world surplus of steel—our domestic buyers have for some time warned of shortages and foreign producers are now turning away U. S. orders. It is very possible that the Secretary of the Treasury will again gyrate 180° and soon be begging foreign producers to send us more steel. I assume that before he does, he'll remove the quotas which are still in effect.

Consumers have also been precluded from trade policymaking with respect to commodities other than steel. A management and union advisory committee conspired with the Department of Commerce to establish quotas on textile imports, and in violation of the law, the government forceably denied consumers the opportunity to attend meetings of that advisory committee. It took a lawsuit for consumers to gain entry.

A new oil import program has been put into effect. The government closely coordinated these changes with industry but did not consult consumers, even though consumers had evidenced what I would have thought to be a great deal of interest in the issue by bringing a lawsuit challenging the old oil program.

The Department of Agriculture did not give consumers an opportunity to participate in the decision-making process, when it decided that the tomatoes you and I eat should be Florida tomatoes, picked while green and then ethylene gassed, rather than imported, vine-ripened tomatoes with more Vitamins A and C and better taste. Again consumers have been forced to resort to the courts. Recently the Department of State and the Special Trade Representative secretly, but with industry guidance, negotiated quotas on footwear imports from Korea. Consumers were not consulted.

I suggest, contrary to what's been said here, that these import restraints have not been part of an overall policy which will lead foreign countries to reduce their barriers. Rather these restraints have been intended for one purpose only—and that is to protect an American industry.

As to the future, an ominous cloud, the Trade Reform Act of 1973 hangs over trade policy. If passed as presently drafted, the act would further institutionalize the exclusion of consumer participation. Section 112B of the act provides for industry, labor and agricultural advisory committees. There is not the slightest suggestion that there should be consumer advisory committees. Indeed, the provision explicitly states that industry, labor and agricultural advisory committee meetings are exempt from the public participation requirements of the Federal Advisory Committee Act.

"The Interdependence of the Economic World: Challenges of the Future"

—Peter Peterson, Former Secretary of Commerce and Vice-Chairman, Lehman Brothers Investment Bankers

Interdependence has become a buzz word. It's very trendy to talk about interdependence, and I think we might benefit by examining what its implications really are.

The first thing to recognize about interdependence is its geographic dimension. Aside from certain security relationships, nearly all the problems we have with our friends around the world are not bilateral, they're multilateral. The energy problem, the trade problem, the money problem, and the aid problem are simply not bilateral problems.

The second thing I'd like to say about interdependence is that it encompasses not only the economic world but the world of politics as well. I think these two issues are going to become intertwined in a way that is hard for us to imagine at the present time. It was a Frenchman who once said "When economics gets important enough it becomes politics." And what we're seeing now is economics becoming so important that it is deeply political everywhere in the world. Foreign policy is going to be very heavily circumscribed by domestic economic policies.

In the real world we live in, security and economics are also linked. It's been 25 years since the Second World War. Europe now has a

gross national product approaching a trillion dollars and balance of payment surpluses. In this new era, it is important that we think anew about how to share the security burdens.

There are those who would simply say we're going to have a tough trade war with Europe, or we're going to have a tough economic confrontation with Europe, or we should threaten to withdraw our troops unless we achieve what we want to achieve on the economic front. I think it would be counterproductive and simplistic and destructive in the extreme to think of the relationship between security and economics in that way. Moreover, I don't think many of the American people or senators or congressmen, vis-a-vis Europe, will quickly accept the notion that you can have economic enemies and security friends. And I think the inevitable spillover, if we engage in an economic war with Europe, would be a bad effect on our security relationships. That's because security and economics are part of a total relationship. It is important to be aware of this linkage and to advance our relationships on all fronts, not just the trade front.

Let me give another example of interdependence here between economic and political issues: the energy problem, which I consider to be the major new issue in international policy.

If you look ahead to 1980 and try to project what U. S. oil imports will be, you're going to come up with a wide range of numbers. If anybody gives you precise numbers on what the balance of trade deficit from energy will be, you can be sure he's wrong. To arrive at any kind of an estimate on what the balance of trade effects are going to be, you must obviously know something about how much oil we're going to import, and what the price is going to be. And the truth is that we don't know very much about either of those subjects. That doesn't keep some of us, however, from giving very precise estimates, like—in 1980 we're going to be importing $19.25 billion worth of oil. Don't take that kind of estimate very seriously. The reasons we don't understand the volume side of the equation are several fold.

One reason is that we don't yet know what the public is going to do when confronted with the total impact of balance of payments effects, shortage effects, and political effects. It is entirely possible that we will see a series of conservation measures, both voluntary and involuntary that are hard to imagine right now.

A study I saw the other day said that we have two alternatives for solving our energy problem: either we import oil or we produce it.

This kind of egocentric approach is not very compatible with the kind of interdependent world we're talking about. For a country, a part of being interdependent is being vulnerable. That is part of the definition of interdependence—you are less independent. And as you become vulnerable it is important to understand that the behavior of other countries has an impact on the options that are available to you, and that if you are anxious to have them do things on your behalf, it may be important for you to do things in their behalf. It isn't quite as simple as saying the Mideast is going to solve our energy problem.

The Mideast will help us solve our energy problem *if* the Mideast decides it's in their interest to help us solve the energy problem. It's very hard to talk about volumes of oil imports until we have a clearer idea as to the circumstances in which the Mideast will decide it is in their interest to produce the volume of oil that the United States wants. Because they have something that's very finite and very valuable, they'll want to use it and sell it very judiciously. Part of interdependence is to think of what we can do to make it in the interest of our Mideast friends to want to produce oil. I would guess that over the next ten years, creating the environment and the programs by which it is in the Mideast's interest as well as our interest for them to produce the oil the world needs will become one of the high priority foreign policy issues that this country and every industrialized country in the world faces. That's what interdependence is all about.

The interdependence in international economics and domestic politics becomes clear when you travel to other countries as I had the privilege of doing in the last six months. In Europe and Japan and Canada somewhere between 30 and 60 percent of the manufacturing jobs are dependent upon exports. Now if you were a political leader in those countries, often governing by virtue of very fragile coalitions, your survival as a political leader depends upon your sensitivity to so-called international economic problems.

One of the things the Japanese said to me on my recent trip was, "We're not sure we fully understand you Americans. You told us after the war that you didn't want us spending money on defense. You told us to develop our managerial skills. You told us to focus on the development of our economy. Now what are you telling us? That we're doing too well what you told us to do."

Europeans said to me, "You know for 20 years we heard from your country that you were for the European Community. You certainly strongly suggested that the more unified we were the better, the bigger we were the better. What are you telling us now, that we're too unified, that we're too big, or that we're too successful?"

As we approach the trade negotiations, we must remember that some of the problems the world is now facing took 25 years to develop, and developed under the benign gaze of the U. S. And that's why some of us believe that if we're going to be successful in negotiations, we should first start out with some kind of charter, some kind of definition of what kind of world we want in 1980 or thereabouts, define it as well as we can, and allow some transition time to get there. Unless we do, I think we're not going to be very successful in trying

to get countries in which international economics has become embedded in domestic politics to seriously interrupt their economics and their politics. I have found very few political leaders around the world who are willing to preside over their political funerals in the interests of something called international statesmanship.

If the U. S. is going to become sophisticated about this world of interdependence between economics and politics, it becomes very important to understand the domestic politics of each of the countries with which we're dealing. Most of us in this country really are not sufficiently aware of the political problems that a leader in another country faces.

For example, in the Japanese Parliament, a rural vote often counts for four times as much weight as a city vote. So something that seems like a trivial problem, like what to do with citrus in one area of Japan, may be the difference between the Prime Minister surviving and not surviving. It's extremely important that we become aware of those kinds of issues.

Finally, I would suggest that if we're going to get serious about interdependence, we must also get serious about the relationship between foreign economics and foreign policy and domestic economics.

I was talking about Japan a moment ago. Japan spends 0.8 of one percent of its gross national product on defense. They spend 20 percent of the gross national product on new plant equipment. Most European countries spend somewhere between three and five percent of their GNP on defense. They spend between 15 and 18 percent of their GNP on new plant equipment. In many countries you'll find that the age of the plant equipment—a big factor for productivity—is lower than ours. The reason is that they're investing more in high productivity, new plant equipment.

We should ask ourselves what the relationship is between defense spending, political power, and economics, especially if you argue that political power is going to be equated with economic power.

Take research and development—like new plant equipment, it's a very important ingredient of economic productivity, and therefore power. By 1980, the Japanese plan to spend $20 billion a year in commercial research and development. At the present time, the Japanese are turning out as many undergraduates in engineering and physical sciences as we are, with one half of the population. The Japanese and others are putting much higher proportions of their resources into the things that lead to something called productivity, and therefore economic power, and therefore political power.

We must determine what the U. S. national interest requires as an appropriate balance between security and peace on the one hand, and between economic power on the other hand. To do so, what this country needs is a group of sophisticated generalists who don't have any particular bureaucratic axes to grind, who are not part of either the trade economic complex or the military industrial complex, or the citrus complex, or any other complex. We need sophisticated generalists who can go to work to define what the national interest of the U. S. is in a world where economics, politics, and security are much more interdependent than ever before.

Reaching the Public

"Follow the Basic Steps"—*David Apter, President, David Apter & Associates*

A lot of people think that public relations is publicity—measured by the number of press clippings you receive, the number of appearances on radio and television, the number of publications you put in the mail. Public relations really is a substitute, and it's a fairly ineffective substitute, for personal face-to-face contacts. The best way to influence people is just to sit down with them and talk to them. The farther away you get from that, the less effective you become.

There are not enough resources for any one organization to do the job of public education. So make a plan within your capabilities. Decide what you want people to understand—in terms relating to their interests. Identify your audience—specifically, those influential people or groups who can be counted on to share your objectives and do something about them. Many groups in your community have an everyday working stake in trade, but they may have no idea how to get their message across to the public. The League can help them with citizen education techniques, and they can help you with facts, figures and maybe even money.

Work with the Media

Trade is a very big issue for the 93rd Congress. This should make it easier for you to approach your local papers and radio and TV stations with ideas for publicizing the issue. Many of them would probably like to "do something" on trade but don't know quite where to turn or how to begin. Convince them that you can help. Try TV and radio first. Why?

My feeling is that most Leagues think of ink on paper as publicity. You are an educated, literary class and you read newspapers and you read magazines and you're influenced by them. But they have little impact today compared with television. Television has the immediacy

that the printed word lacks for most people. It is the most potent attitude shaper of all media.

Now, how do you use television? The first "don't" is—don't go to a station and ask for time. Don't ask them to give you 15 minutes or give you a half hour. The time they give you is going to be at an hour no one is watching, or it's going to be opposite programs that everyone else is looking at. The surest way to get someone to turn off the set or turn to another channel is to present a speaker with a message.

But the stations are impelled by the FCC to do a certain amount of local programming. They're looking for good suggestions. The important thing to do is become a student of the local programs in your own community. You or members of your committee ought to sit down and go through the toil and turmoil of watching the daytime shows and the nighttime shows to find out what they're doing and what their needs are. You can then go to a program producer and tell him your story in the ways that *he* relates to people.

For example, take the quiz shows. You know, many local stations have quiz shows. What kind of program can you develop where there will be some questions and answers about international trade? Not generalizations, but—how much more is it going to cost a lady for a pair of stockings if we get more restrictions on trade? What's it going to mean to some local industries that are involved in exports if you get more restrictive legislation?

All stations have news shows. Most news shows have small segments that they call featurettes—1½ or 2 minutes. Go to the stations with specific ideas. Perhaps do a featurette on film—a shopping tour of a supermarket or a plant visit showing how they're affected by international trade. You can say an awful lot in two minutes.

Some stations have editorials. Sit down and talk to the man who writes and produces these editorials. Most stations have women's shows, and certainly you have a subject that should be of interest to women in terms of pocketbook issues.

Another approach is to go to the station officials at the highest level you can reach and talk to them about a "special"—about getting *them* to use *their* talent and *their* money to produce a special show on your city's or your community's stake in foreign trade.

After television, of course, there's radio. Some people thought radio would die after television, but it's never been as popular and never had as many listeners as today. The only difference is that now television serves the mass audience, while radio serves small and identifiable fractions of the population.

Every radio station knows pretty well what its audience is and programs for that audience. You can talk to the management of any station and they will give you the demographic figures on who they're reaching—age group, income, interests, and so on. There are stations and programs—talk shows or interview shows—on which you can tell your story. There are also many stations that have very popular call-in programs. Around-the-clock all-news stations carrying news and features and editorial comment have a hard time repeating themselves all the time and may welcome your spots or feature material. And don't forget the disc jockeys. The DJ's are not going to use your spots—they're going to do it in their own way. But they have dedicated audiences who listen to them. Look for people like that and make them part of your team.

Finally, don't forget the newspapers. If your newspaper is burying or giving short shrift to wire service news on trade, urge the editor to give it more prominence and tell him *why* trade is important to your town. Suggest that he do an editorial on trade, especially if your congressman or senator is active in the legislative struggle. A small-town editor might be glad to see a notebook of recent clips from magazines and major papers. Make one and give it to him.

Best of all, use your imagination and try to design some newsworthy happenings. There's only so much a newspaper can do to support you. What they really need is news. □

Do A Community Survey

People like to talk and read and hear about themselves. A community survey can give them a chance to do all three. At the same time, it can provide real information on the interrelationships between international trade and the economy of your own town, and serve as a means for building interrelationships between your League and the community. It might even be the specific idea that will earn you media coverage.

Many Leagues have recently surveyed their communities. In form, the surveys ranged from checklists of attitudes about trade to fairly detailed questionnaires to secure economic data. Jennifer Smith of the League of Women Voters of Greenville, South Carolina and Marianne Steigerwald, League of Women Voters of Wisconsin spoke to the conference on survey techniques. A sample survey from the League of Voters of Wisconsin appears at right.

Getting Personal About Trade

All the participants in the conference, meeting in small groups of seven or eight, discussed the toughest question Leagues face in trying to reach the public: "How do you make people understand that trade affects their daily lives?"

They came up with a variety of suggestions:

Foreign Trade Survey

General Information

1. Where is your home office located? ____
   a. Is this firm an independent company? ____ parent company? ____ a subsidiary? ____ a branch plant? ____ a division of a co? ____
   b. Do you have foreign-based operations? ____ If yes, explain: ____
2. Please list the principle products made by your company in this community.
3. What was the average employment of your company in this community for the past fiscal year? ____ Of this number, how many administrative employees are assigned to handle foreign trade? ____
4. What were your approximate total gross sales in 1972? ____

Exports

5. What percentage of your total gross sales is from export sales? ____
6. To what foreign countries is your product (or products) exported? ____
7. In the last fiscal year, if you had had no export business, what effect would this have had on your net profits? ____
8. What effect would this have had on your employment figures? ____
9. Has your firm investigated the benefits available to it under the new DISC export incentive program? Yes ____ No ____ If yes, will you export more as a result? ____
10. Do you use any imported materials in the manufacture of your products? Yes ____ No ____ If yes, were they:
    a. imported by you directly? Yes ____ No ____
    b. purchased by you through importing houses or other jobbers? Yes ____ No ____
    c. raw materials? ____ semi-processed materials? ____ Both? ____
    d. from what countries did these materials come? ____
11. What is the estimated dollar value of your imported materials annually? ____
12. What percentage of your total production has competition from imports? ____
13. Through which port were most of your imports/exports shipped in 1971? Milwaukee ____ Chicago ____ East Coast ____ Gulf Coast ____ Other ____ In 1972? Milwaukee ____ Chicago ____ East Coast ____ Gulf Coast ____ Other ____

Trade Restrictions

14. What trade restrictions have you encountered in your importing or exporting? (i.e., tariffs, customs, duties, quotas, etc.)
    a. U.S. restrictions
    b. Foreign country restrictions
15. What change, if any, would you recommend in current U.S. trade policy?
16. In your opinion, what can be done to improve international trade relations?

Work with Other Groups

☐ Work with groups you know are with the League on trade. In addition to familiar organizations like the Chamber of Commerce or the National Association of Manufacturers, there are:

Consumer Groups—For the most part, they pay little attention to trade. Go to them and help them get moving.

Importers—They try to get their message across and have reams of good research on hand, but often they can reach only a limited audience.

Retailers and Merchants—Typically, many of their products come from abroad. They can help you compare the costs of imported products with American-made goods and emphasize the consumer's stake in trade.

Farmers—Contact your local National Farmers Union or the American Farm Bureau Federation. Farmers are becoming more and more aware of their stake in trade.

Labor Unions—Different unions are on different sides of the trade issue. Almost all are aware of the need for public discussion of the issues and should be eager to help in setting up meetings on trade.

☐ Invite officers of these organizations to meet with you. . . . Take them to lunch. . . . Tell them about the League's trade position and ask what you can do for them or with them (e.g., joint press conference, joint educational campaign). . . . Don't forget to talk to the rank and file union members. Find out if their views on trade are the same or different from the union leaders.

☐ Look beyond your own community to areas, especially rural areas, where there are no Leagues and work with other groups there.

Educate

☐ Work with schools, universities, libraries, church groups.

☐ Provide League speakers and materials to other groups.

☐ Develop a study guide and bibliography, audio-visual materials or a game to be used by League members or others to present a "mini-course" on trade.

☐ Film your trade event (meeting, class discussion, etc.) for showing on educational or cable TV. Look for an "angel" to fund your filming or do it for you. (Your state Humanities Commission might be that angel.)

Demonstrate

☐ Assemble exhibits for store windows, banks, schools, libraries, etc., showing: What goods your community exports or imports, or how imported consumer goods compare favorably in price with similar domestic items. (e.g., Dress two mannequins in similar clothes, imported on one, domestic on the other. Tag each item with a large price tag.)

☐ Arrange "go-see trips" to your port area, if you have one, to demonstrate the important effects of trade on the economic life of your community.

☐ Do a trade survey. (See page 33)

☐ Arrange media coverage for all of above, but focus on the consumer effects of trade when attempting to reach a mass audience through TV, radio or newspapers.

Understand the Issues

The first half of this report is a fairly comprehensive sampling of the issues and opinions current in the trade debate. To be effective in educating your community, you don't need to know everything about all of the issues, but you do need to understand the basics well enough to communicate your ideas to others. For background, we suggest that you use *The Trouble With Trade*, (LWV, Pub. #203) and *The Politics of Trade*, (LWV, Pub. #431).

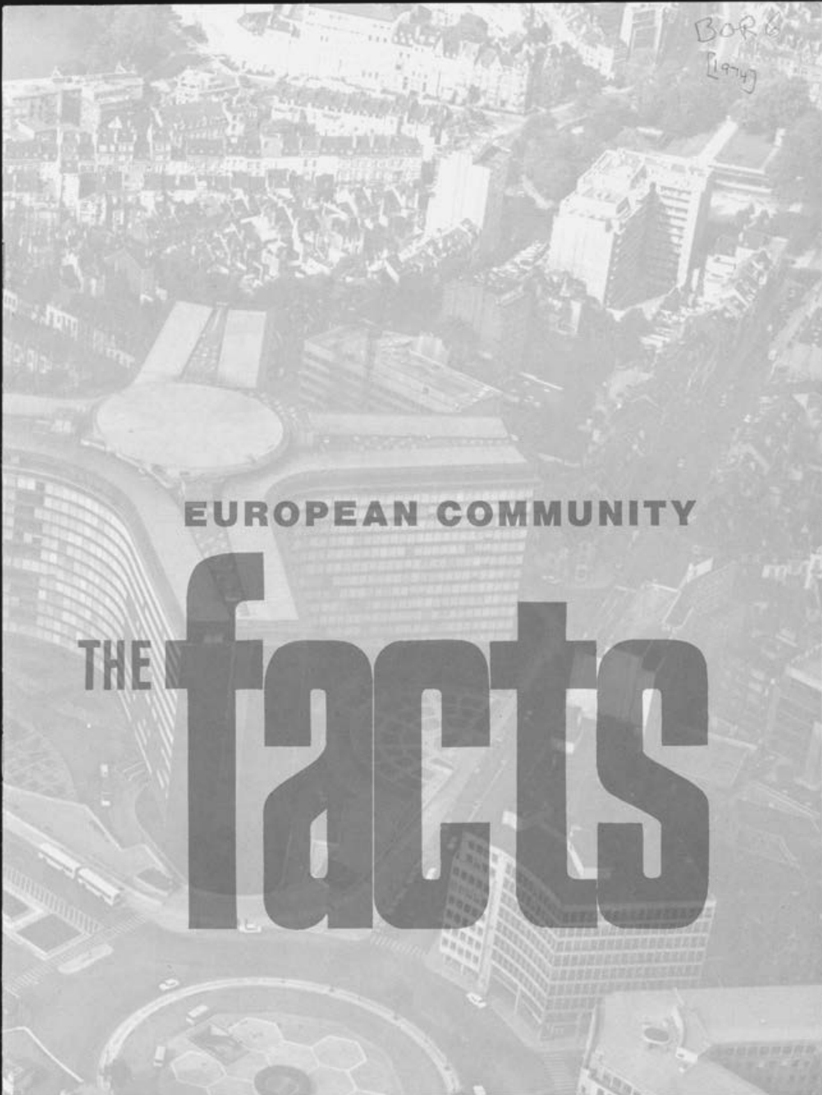
Also recommended:

Congressional Record, September 24, 1973, pp. S17383-S17385. Contains a report on the LWVEF Trade Conference by Sarah Whitehorn, League delegate from Delaware.

New Jersey Stake in World Trade, October, 1973, 5¢ ea. Order from LWV of New Jersey, 460 Bloomfield Avenue, Montclair, New Jersey 07042.

Trade Campaign Kit, Order from LWV of New York State, 817 Broadway, New York, New York 10003. 40¢ ea. + 24¢ postage.

Order From
League of Women Voters of the United States
1730 M Street NW, Washington DC 20036
Pub. No. 458 60¢ a copy



EUROPEAN COMMUNITY

THE facts

Contents

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Cover: The Berlaimont Building, headquarters of the Commission of the European Communities.

This is the European Community

The European Community covers an area one-sixth the size of the United States. Within it live 46 million more people than in the United States. The Community members' combined gross national product (GNP) is one-third smaller than that of the United States. The Community is the world's largest producer of cars and a leading producer of farm goods. It is the world's largest trader and the major buyer of imports from developing countries. It is one of the world's most generous donors of foreign aid.

More than 90 countries have accredited diplomatic representatives to the Community. It has negotiated trade or association agreements with more than 50 countries in Europe and elsewhere.

The Community is not a "superpower," but its economic strength gives it a voice in world affairs.

SOME COMPARISONS	*European Community*	*United States*
Area (thousands of square miles)	589	3,600
Population (millions, 1972)	255	208
Total Civilian Labor Force (millions, 1971)	104.4	84.1
Percentage in Agriculture	9.9	4.0
Percentage in Industry	43.7	29.0
Percentage in Services	44.3	61.1
Percentage Unemployed	2.1	5.9
Gross National Product (in billions of units of account[1] (UA) at current prices, 1972)	776.9	1,092.4
Per Capita National Income (in units of account, 1973)	2,373	4,189
Exports (in billions of units of account, 1973)	84.6	71.3
Imports (in billions of units of account, 1973)	88.6	69.1
Foreign Aid (official only in billions of dollars, 1973)	4.1[2]	3.0
Percentage of GNP	.38	.39

1) One UA equals one 1970 dollar or $1.20635 at current rates.
2) Excludes Luxembourg and Ireland.

SOURCES: The source of all figures in this publication is the Statistical Office of the European Communities, unless otherwise noted. The source of foreign aid figures is the Organization for Economic Cooperation and Development.
The source of the above US trade figures is the US Department of Commerce.

ERRATA

THE FACTS
January 11, 1977

Throughout discussions of the Yaoundé Association, the 19 signatories are described as the "18 African associates and Madagascar." They should be called the "17 African associates, Madagascar, and Mauritius."

The following additional errors also appear:

Page	Column	Line	
1	2	last	Table should read "Percentage of GNP .39.....23"
4	2	30	Should read: Denmark and Ireland three votes each, and Luxembourg two votes. Delete "each" in the next line.
5	1	last	Chart should show 13 figures at Commission table, not nine; nine figures should be seated at Council table, not six; nine figures should be seated on the Court, not seven.
8	1	3	Should read: "by arrangements to replace the Yaoundé..."
10	1	9	Should read: "UA 3.8 billion..." not "million"
19	1	27	Luxembourg imports the coal it uses.
19	2	12	Should read: "days by January 1975..."not 1965.
26	2	last	Should read: "Summit Communiqué, Copenhagen..." not"Paris."

WHAT?

The European Community is uniting the economies of nine nations:

Belgium	Denmark	France
Germany	Ireland	Italy
Luxembourg	Netherlands	United Kingdom.

The Community's six founding members—Belgium, France, Germany, Italy, Luxembourg, and the Netherlands—have established a customs union which the new members are now completing (pages 6-8). The "Nine" are laying the foundations of full economic and monetary union (page 14). They have agreed to form a European union by 1980 (page 25).

Legally there are three European Communities, but they share the same institutions (page 4). The three Communities are:

- The European Coal and Steel Community (ECSC), created by the Paris Treaty of April 18, 1951. It paved the way for further economic unity by joining the coal and steel industries in a single "common market."
- The European Economic Community (EEC), created by the Rome Treaty of March 25, 1957. On January 1, 1958, the EEC began to remove trade and economic barriers between its member countries and unify their economic policies.
- The European Atomic Energy Community (Euratom), created by a second Rome Treaty of March 25, 1957. Euratom promotes peaceful uses of nuclear energy.

WHY?

- To put an end to national prejudice, discrimination, and armed conflict which had culminated in two world wars.
- To open up the economic frontiers which divided Western Europe into small, protected markets.
- To harness the constructive energies of the European peoples to improve the quality of life.
- To make the Community a single economic area, promoting social and technological progress and the efficient use of resources in both agriculture and industry.
- To recover together some of the world influence that Western Europe's separate nations can no longer command alone.
- To become a strong force for peace and a generous provider of aid to the world's poorer nations.
- To contribute to world stability and the beginnings of international law and order.

HOW?

The Community differs from traditional international organizations in that it provides for an "ever closer union" of unlimited duration between member states. Its permanent institutions not only apply and administer the treaties, which are the Community's "Constitution," but also engage in a continuous process of legislation, making and revising policy as the integration process advances.

WHEN?

1945-50. For centuries, philosophers and statesmen advocated the union of European nations. The postwar movement toward unity arose from the suffering and devastation of World War II. Europeans were determined to prevent another conflict on the Continent. A way had to be found to end the animosities between France and Germany which had caused three wars in less than a century. Occupation or defeat had taught the Community's six founding members the dangers of unlimited national sovereignty.

Despite US aid, Europe's recovery lagged. Choked by narrow national boundaries, export-oriented European industry could not grow strong fast enough to compete with US companies, manufacturing for the vast US market and the world.

The Marshall Plan, which began in 1948, gave Europe the first glimmer of hope that the dream of unity might be realized. Massive US aid helped the European nations rebuild their war-torn economies. Moreover, the Organization for European Economic Cooperation (OEEC), born as a result of the Marshall Plan, enabled these nations to administer the US aid collectively. It was a first step toward economic unity in Europe.

But the OEEC was an international organization of limited scope. It suffered the flaw of all such bodies—the rule of unanimity. This meant that decisions (lacking majority vote) frequently were taken at the level of the lowest common denominator.

Thus, the European Coal and Steel Community (ECSC), Europe's first twentieth century attempt to pool economic resources under federal type institutions, was launched on May 9, 1950. Inspired by the ideas of Jean Monnet, the person responsible for the French national economic plan, and proposed by French Foreign Minister Robert Schuman, it was designed to lay the foundations of a "European federation" and unite France and Germany in a common endeavor. Pooling coal and steel resources in a large market under a common authority would create the *de facto* solidarity "indispensable to the preservation of peace." Belgium, Germany, Italy, Luxembourg, and the Netherlands accepted the French invitation. On April 18, 1951, the ECSC Treaty was signed in Paris.

In the United States, the ECSC was widely hailed as the first step toward a European federation on the American model. In August 1952, Ambassador David K. E. Bruce became the Special American Representative to the ECSC and the first diplomat to be accredited to the High Authority, the ECSC's Executive Branch, in Luxembourg.

1950-58. Similar efforts during the Fifties to form defense and political communities (page 25), based on the ECSC's structure, failed, but the ECSC succeeded. The Six decided to apply the same approach to the entire European economy. A June 1-2, 1955, conference in Messina, Italy, produced plans for two new communities, the European Economic Community (EEC) and the European Atomic Energy Community (Euratom).

The ECSC had shown the advantages of a large market where goods could move as freely between Rome and Luxembourg as between New York and San Francisco. The EEC would extend this arrangement to all goods and agricultural products. Within Euratom, the "Six" would do joint research into a new source of fuel and develop a common industrial base for the peaceful use of nuclear energy. Further "concrete achievements" would lead the Six toward the "ever closer union among the European peoples" mentioned in the EEC Treaty's preamble.

The United States played no direct role in negotiations for the new treaties but, as a show of support in February 1957, offered to sell nuclear fuel to Euratom and give technical assistance.

1958-73. The Common Market was to be created in stages over 12 years. By July 1, 1968, 18 months ahead of the treaty timetable, the Community had achieved free trade in industrial goods and most farm products. The Six had eliminated tariffs on intra-Community trade and had established a common tariff on imports from non-member countries. The policies that had not been completed when the transition period ended on December 31, 1969, are still being forged.

Signing of the Treaties creating the European Economic Community and the European Atomic Energy Community, Rome, March 25, 1957. The Community's six founding members pledged to achieve "ever closer union among the European peoples."

During its emergence as an economic power, the Community demonstrated openness toward the outside world, signing trade and aid agreements with many developing countries (pages 8, 24) and cutting tariffs within the General Agreement on Tariffs and Trade (GATT). In the Kennedy round of GATT talks which ended on May 15, 1967, industrial tariffs were reduced by an average of 35-40 per cent. In these negotiations, the Community "spoke with a single voice," as it had in the 1960-61 Dillon Round.

In addition to its economic accomplishments, the Community has brought about a new relationship between countries, extending into fields not specifically covered by the treaties. Thus, at their "Summit" meeting, in The Hague on December 1-2, 1969, the six heads of state and government agreed to move from customs union to full economic and monetary union. They reaffirmed their commitment to a united Europe and began political consultations that would lead to frequent Summit meetings and common foreign policy stands (page 25). They also agreed to open membership negotiations with the United Kingdom, Ireland, Denmark, and Norway.

On January 22, 1972, the 10 nations signed the Treaty of Accession which gave the Community three new members on January 1, 1973. Norway's voters rejected the terms of membership in a referendum.

The Six, together with the four candidates for membership, next met at the Summit in Paris on October 19-20, 1972, to pledge their determination to continue progress while adjusting to new members. The "Ten" recognized new international duties added by size and said they would make "an original contribution commensurate with [their] human, intellectual, and material resources." They called for a voice in world affairs and offered their cooperation in the 1973 round of GATT negotiations and the monetary reform talks within the International Monetary Fund (IMF).

The Copenhagen Summit of December 14-15, 1973, focused on the need for a European identity in international relations, the energy crisis, and the backlog of Community work that had accumulated during the first year of expanded membership.

Institutions

The Community's institutions and decision-making process distinguish it from traditional international organizations. The institutions have legal status and extensive powers in fields covered by common policies. The institutions are the motor of the integration process leading toward a federal system.

The Community has a dual executive:

- The Commission proposes and supervises the execution of laws and policies.
- The Council of Ministers enacts laws and programs, based on Commission proposals.

The other main Community institutions are: the European Parliament, the Court of Justice, the Committee of Permanent Representatives, and the Economic and Social Committee. Many specialized committees assist the Commission and the Council.

Before July 1, 1967, each Community had its own executive institutions. (The ECSC's Commission was called the "High Authority.") Since that date, a single Commission and a single Council have governed Community policy. The merger enabled policy coordination in sectors, such as energy, covered by all three treaties (page 19).

COMMISSION

The Commission is a collegiate body of 13 members (two each from France, Italy, Germany, and the United Kingdom and one each from Luxembourg, the Netherlands, Belgium, Denmark, and Ireland). The national governments appoint members for four-year renewable terms, with the President and four Vice Presidents holding office for two-year renewable terms. Although appointed by member states, the Commission must act independently of them, considering the interests of the Community as a whole rather than of any of its individual members.

The Commission's duties are

- to present the Council of Ministers with policy proposals
- to supervise the execution of the treaties and call member countries and companies to account if they fail to observe them
- to administer the operation of the Community
- to act as conciliator of national viewpoints at Council meetings to secure acceptance of measures in the Community's interest.

Each member of the Commission is responsible for one or more Community activity. The Commission's administrative organization consists of departments called "directorates general." The directorates general prepare proposals for the Commission and may consult experts from national governments or trade, management, agricultural, and labor pressure groups.

A collegiate body, the Commission is responsible as a group for its acts. It makes decisions by a simple majority vote of its members.

COUNCIL OF MINISTERS

The Council of Ministers is the Community's main decision-making body. It consists of one minister from each member country and represents the national viewpoint in the legislative process. Ministers with various responsibilities attend Council meetings, depending on the topics under discussion. The Council presidency rotates every six months between member countries in the following order: Belgium, Denmark, Germany, France, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom.

A permanent Secretariat and the Committee of Permanent Representatives help the Council prepare for meetings. The Council generally meets three or four times monthly.

The Council can make most decisions by a simple or "weighted majority" vote but usually tries to achieve unanimity. Some decisions, such as on the acceptance of a new member, must be made by unanimous vote. In a weighted majority vote, Germany, France, Britain, and Italy each have 10 votes; Belgium and the Netherlands, five votes each, and Denmark, Belgium, and Luxembourg, two votes each. Forty-one votes, cast by at least six members, are needed for a majority. Thus, the large countries, voting en bloc, cannot dominate the smaller nations on any issue.

All Council decisions must be based on Commission proposals which can be amended only by a unanimous Council vote.

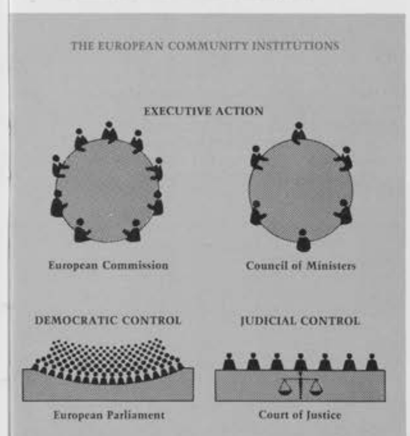
EUROPEAN PARLIAMENT

The European Parliament consists of 198 members appointed from and by the national legislatures (36 members each from France, Germany, Italy, and the United Kingdom; 14 each from Belgium and the Netherlands; 10 each from Ireland and Denmark, and six from Luxembourg. This procedure is similar to the method of appointing members of the US Senate before the passage of the Seventeenth Amendment. Parliament seeks to have its members popularly elected.

The Parliament can oust the Commission by a vote of censure and has limited, but gradually increasing, budgetary powers. It is still mainly a consultative body, passing on most Community legislation. Numerous specialized committees meet to prepare for parliamentary debates and to write opinions on laws under consideration. A censure motion has been introduced only once, in December 1972, but it was withdrawn because a new Commission took office in January 1973.

COURT OF JUSTICE

The Court of Justice, the Community's "Supreme Court," consists of one judge from each member state. The Court's decisions are final and cannot be appealed in national courts. The Court ensures the observance of law and justice in the interpretation and application of the treaties and laws passed to execute them. The Court may give judgment on appeals brought by a member state, the Council, the Commission, or any person or company affected by a Community decision. Four advocates general help the Court reach decisions. Judges are appointed by the member states for terms of six years.



PERMANENT REPRESENTATIVES COMMITTEE

The Committee of Permanent Representatives consists of the nine member countries' ambassadors to the Communities. The Committee does the groundwork for Council meetings by reviewing Commission proposals and indicating areas of agreement among national viewpoints.

ECONOMIC AND SOCIAL COMMITTEE

The Economic and Social Committee consists of 144 members (Germany, France, Italy, and the United Kingdom, 24 members each; 12 each from Belgium and the Netherlands; nine each from Denmark and Ireland, and six from Luxembourg). Committee members are selected from labor, management, agricultural, consumer, and family organizations. The Commission and the Council must consult the committee on most major policy proposals. Although the committee has no powers of decision, it does influence policy-making. It is one of the Community's main points of contact with the public in the decision-making process.

A similar "Consultative Committee" advises the Council and the Commission on ECSC affairs.

WORKING METHODS

Community Law

The ECSC, EEC, and Euratom Treaties are the Community's "Constitution." They provide a policy framework and empower the Commission and the Council of Ministers to pass laws to carry out Community policies. The Community uses three types of legal instruments:

- *Regulations* bind the member states directly and have the same strength as national laws.
- *Directives* also bind the member states but allow them to choose the means of execution.
- *Decisions*, addressed to a government, an enterprise, or an individual, bind the parties named.

The Commission and the Council also render nonbinding *recommendations* and *opinions*.

The EEC Treaty's Article 235 outlines a procedure for action in areas unforeseen by the drafters of the three treaties. This article allows the Community to act as new situations arise.

National courts must enforce Community law. Disputes about interpretation of Community law go to the Court of Justice. National courts retain juris-

Customs Union and Commercial Policy

diction over criminal cases. A convention which came into force in February 1973 ensures that civil and commercial judgments affecting parties in more than one member state can be enforced in any of them without review by a court in the country where the complying party is located.

Community Budget

The Community spends almost UA 6 billion a year, three-quarters of it on agricultural price supports and farm modernization (page 9). The remainder pays administrative costs and finances other common policies and joint research projects (pages 18).

Until January 1, 1971, Community activities were financed by contributions from the member states and a tax on coal and steel production. A new system to give the Community its own revenue is gradually being introduced, to be completed by the end of 1977 by the Six and by the end of 1979 by the three new members. Revenue will come from levies on agricultural imports, customs duties, and up to 1 per cent of the turnover tax assessment basis (page 11).

Community Civil Service

More than 9,000 people work for the Community. "Eurocrats," recruited by competitive examination, must have a working knowledge of one Community language besides their own. There are six official languages: English, Danish, French, German, Italian, and Dutch. English, French, and German are the main working languages.

The Community operates six "European Schools" for the children of its civil servants. Their curriculum is designed to prepare students for life in a multinational Community. Each child studies his mother tongue and a second Community language. The national bias has been removed from subjects such as history. A diploma from a European School admits the graduate to universities in any Community country, Switzerland, and to many universities in the United States.

No final decision has been made on the Community's permanent headquarters. The Commission's administrative center is Brussels but its statistical office, financial services, document sales office, and the Court of Justice are in Luxembourg. The Council of Ministers meets in Brussels, except in April, June, and October when it meets in Luxembourg; its Secretariat is in Brussels. The European Parliament meets in Strasbourg, France, and in Luxembourg, the site of its Secretariat. The Economic and Social Committee meets in Brussels.

Europeans from Alexis de Toqueville on, impressed with US prosperity, have attributed it partly to the size of the domestic market and free trade between the states. The large US market served as a model for the Community's most characteristic feature, the customs union for industrial trade. The common agricultural policy (pages 9-10) covers trade in farm products.

The customs union entails

- the removal of customs duties and other barriers to free trade between member countries
- the replacement of national tariffs with a single common tariff on imports from non-member countries and the development of a common commercial policy toward them
- the harmonization of customs rules and enforcement procedures so that duties will be assessed in the same way.

The Common Market goes beyond a mere customs union. It includes free movement of labor and capital and freedom to offer services anywhere in the Community (page 10). Its members have common policies in every field affecting the economy. The "Nine" plan to achieve full economic and monetary union, possibly including a common currency (page 14).

TARIFFS AND QUOTAS

The Community's founding members removed the last quota restriction on trade between them on December 31, 1961. They introduced the common customs tariff on imports from non-member countries in three stages which ended on July 1, 1968.

The common customs tariff level was reduced in the Dillon and Kennedy Rounds of negotiations within the General Agreement on Tariffs and Trade (GATT). Since the last Kennedy Round tariff cut, on January 1, 1972, the Community has had one of the world's lowest tariff schedules. Its industrial tariffs average 6 per cent, compared with the US average of 7.1 per cent. Only 13.1 per cent of EC tariffs on industrial goods exceed 10 per cent and 2.4 per cent exceed 15 per cent. For comparison, 38.3 per cent of US industrial tariffs exceed 10 per cent and 23.7 per cent exceed 15 per cent.

Britain, Ireland, and Denmark are gradually being assimilated into the Community's customs union. Industrial tariffs between new and old member states will be removed in five cuts of 20 per cent each. The first reduction was made on April 1, 1973. The last is scheduled for July 1, 1977. Import and export quotas on intra-Community trade (except for a few

"sensitive" products) were removed on January 1, 1973. Measures equivalent to quantitative restrictions are to be removed by January 1, 1975. Agricultural alignment, a six-stage process, is scheduled for completion by December 31, 1977.

The new members take on the common customs tariff toward third countries in four steps. They made a 40 per cent alignment on January 1, 1974, and are scheduled for three more alignments, of 20 per cent each, on January 1, 1975, on January 1, 1976, and on July 1, 1977. The assimilation of Britain, Ireland, and Denmark into the Community customs union will lower many tariffs for American and other exporters to those countries.

CUSTOMS RULES

The Six are standardizing customs laws and administrative procedures. They have a common liberalization list of more than 900 products that can be freely imported, a common procedure for administering quantitative quotas and imports from state-controlled economies, and a common system, including safeguards, for exports to and imports from non-member countries.

They have a common definition of the "origin of goods" and a uniform method of determining customs value of imports. Community criteria for imposing anti-dumping duties are the same as those embodied in the GATT's Article VI. Other common rules cover goods in transit, storage of goods in

Cars awaiting exportation, Liverpool, England. The formation of the Common Market stimulated trade both between members and with the rest of the world; its enlargment is expected to bring further expansion. Courtesy British Information Services, London.

bonded warehouses, and goods temporarily imported for processing and re-exportation, "inward processing traffic." Export credit terms are being synchronized, and common rules on travelers' import allowances are in use.

The new members will apply these rules by the end of the transition period to full membership, December 31, 1977.

COMMERCIAL POLICY

The Community has emerged as a distinct entity in international trade. It has trade or association agreements with more than 50 countries. Some EC associates also receive financial development aid (page 24). The Community is negotiating as a unit in the Tokyo Round of GATT trade talks which opened on September 12, 1973.

ASSOCIATION AGREEMENTS

The EEC Treaty provided for the economic interests of Belgian, French, Italian, and Dutch overseas territories and dependencies, mainly in Africa and the Caribbean. These provisions still apply to overseas territories.

The African countries have been covered by five-year conventions since the early Sixties, after achieving independence. The current and second "Yaoundé Convention" went into force on January 1, 1971. Mauritius joined the original 18 Yaoundé associates on January 1, 1973. The original associates are: Mauritania, Mali, Voltaic Republic, Niger, Senegal, Ivory Coast, Togo, Dahomey, Cameroon, Chad, Centrafrican Republic, Gabon, Peoples Republic of the Congo, Zaïre, Rwanda, Burundi, Somalia, and Madagascar.

As Community associates, Yaoundé countries have free access to the Community market. Conversely, exports from Community member countries have free access to the associates' domestic market. Although this arrangement is a free trade area, associates may impose tariff and other trade barriers on Community products to protect infant industries. They may not, however, discriminate against goods from any particular Community state.

Other Community associates are: Greece, Turkey, the East African Community (Kenya, Uganda, Tanzania), Tunisia, Morocco, Malta, and Cyprus.

On joining the Community, Britain agreed to phase out Commonwealth tariff preferences. As a result, underdeveloped Commonwealth countries in Africa and in the Indian, Caribbean, and Pacific

Oceans were invited to seek preferential trade ties with the Community either by trade agreements or by the Yaoundé Convention. The Commonwealth "associables" and the Yaoundé associates are participating in negotiations for new arrangements which opened in Brussels in September 1973.

TRADE AGREEMENTS

The Community has had the authority to negotiate all trade agreements since January 1, 1973.

Britain, Ireland, and Denmark agreed to accept the Community's trade and association agreements as a result of their EC membership.

Non-Preferential Agreements

Preferences extended by non-preferential agreements are given to all GATT members. The Community has non-preferential trade agrements with Yugoslavia, Brazil, India, Argentina, and Uruguay. Exploratory talks have begun with Iran to replace a non-preferential agreement which expired on December 1, 1973. Bangladesh has requested negotiations for a non-preferential agreement.

Preferential Agreements

Preferential agreements lead to free trade areas. The Community has preferential agreements with Spain, Israel, Egypt, and Lebanon. To prevent the reestablishment of trade barriers after Britain and Denmark joined the Community, the Community signed free trade agreements with their former partners in the European Free Trade Association (EFTA): Iceland, Sweden, Finland, Portugal, Switzerland, Austria, and Norway.

Product Agreements

The Community also has agreements with developing countries opening duty-free quotas for products of particular interest to those countries. These products include handicrafts, jute, copra, cotton textiles, and handwoven fabrics.

GENERALIZED TARIFF PREFERENCES

On July 1, 1971, the Community became the first trading power to extend generalized tariff preferences to the "Third World." The offer was made to the 96 developing countries in the United Nations Conference on Trade and Development (UNCTAD). By February 1974, 110 countries and 43 dependencies were participating in the system. The arrangement covered trade worth UA 3 billion.

Britain and Denmark adopted the Community's

Department store, Brussels, Belgium. The Common Market has helped to raise living standards and has given the consumer a wide choice of goods from around the world.

generalized preference system on January 1, 1974. Ireland agreed to join by December 31, 1975.

The Community's system exempts manufactured and semifinished goods from duties up to a ceiling enlarged annually for each product.

EFFECTS OF CUSTOMS UNION

The formation of the Community's customs union stimulated trade both between members and with the rest of the world.

From 1958 to 1972, the trade of the Six with each other rose 724 per cent, from UA 6.8 billion to UA 56 billion. Traditionally protectionist countries, France and Italy, with little previous experience with foreign competition, recorded the largest trade increases.

Each year the Six have traded more and more with each other. In 1958, 27 per cent of their total trade was intra-Community, compared with 52 per cent in 1972. (Trade growth figures are not valid for the Nine.)

Despite the rise in trade between members, the Six increased both their imports from and exports to the rest of the world. From 1958 to 1972, imports rose by 225 per cent, exports by 256 per cent. During this time, world exports rose by 273 per cent, world imports by 287 per cent.

The Community consistently ran a deficit on trade with the United States from 1958 through 1972, the latest year for which Community figures are available. In 1972, exports of the Six to the United States amounted to UA 8.3 billion, compared to UA 8.6 billion of imports from the United States.

CUSTOMS UNION TO COMMON MARKET

The customs union brought about these trade gains and accompanying rises in production and the standard of living (pages 20, 21). Nevertheless, the Community has not yet reached its goal of forging a unified common market like the United States. The dissimilarity of its members' tax systems (page 11) and technical standards (page 16) still hinder free trade. Customs agents at the borders between Community countries still collect taxes. Manufacturers in Hamburg still have to make sure that "pure wool," which could mean 85 per cent wool content at home, for example, means the same thing in Rome.

Agricultural Policy

If there was to be a Common Market, agriculture had to be part of it. The common agricultural policy was sought by the major farming countries in return for opening their markets to the other member countries' industrial goods.

The Community's six founding members had vastly different farm policies with an infinite variety of internal supports and import restrictions when the EEC Treaty was drafted. The Six thus decided to abolish national policies and to devise a Community policy, jointly financed, and with a common policy toward the rest of the world.

Under the common agricultural policy, Community members have

- eliminated barriers to farm trade between them for almost every agricultural product
- increased agricultural trade with each other and with non-member countries
- applied common prices for farm products and a common policy to trade with non-member countries
- taken joint financial responsibility for all market management decisions.

There are common markets for: grain, pork, eggs and poultry, oil and fats, rice, sugar, plants and flowers, processed fruit and vegetables, wine, flax and hemp, tobacco, and fish.

Britain, Ireland, and Denmark will fully apply the common agricultural policy by December 31, 1977.

Agriculture is especially important for the Community. In the EC of Nine, 9.9 per cent of the labor force works in agriculture, compared to 4.0 per cent in the United States. In parts of southern Italy, more than half the workers are on the land.

Egg gathering at an agricultural cooperative in Blois, France. The common agricultural policy covers 96 per cent of the products raised on farms.

The common farm policy's goals are: to assure Community farmers incomes comparable with those of industrial workers, to stabilize markets, to increase productivity, and to ensure reasonable consumer prices.

FREE TRADE

Like the customs union, the common agricultural policy has stimulated trade. Between 1958 and 1972, farm trade between the Six rose by 683 per cent. In 1972, it amounted to UA 9.4 billion.

During this period, food imports from non-member countries rose by 90 per cent. These imports amounted to UA 14 billion in 1972. US farm exports to the Community grew by 135 per cent from 1958 to 1972 when they reached UA 2.1 billion.

PRICE SUPPORT

Most countries protect agriculture. The Community system, unlike that of the United States, does not use direct income supports or import quotas. Official prices form the center of the Community's market support system. This arrangement maintains market prices to farmers in two ways:

- A variable levy system at the Community's borders ensures that imported food does not undercut domestic prices.
- There are intervention arrangements to tackle a situation in which overproduction at home threatens to depress prices.

The Council of Ministers, acting on Commission proposals, sets official prices each year. The Commission makes day-to-day decisions on import levies and other agricultural operations. The Commission works closely with management committees, composed of officials from the national ministries of agriculture.

Prices are set in units of account (UA) related to gold and are equivalent in value to one 1970 dollar ($1.20635 at current rates).

FARM FUND

The European Agricultural Guidance and Guarantee Fund (EAGGF) finances the common agricultural policy. Its guidance section contributes to the cost of projects to modernize farms or improve distribution of farm produce. It also runs a pension plan to en-

Free Movement...

courage small farmers to retire early, freeing land for incorporation into larger farming units. The guarantee section finances support buying of farm produce and pays export rebates when Community prices rise above world prices. The fund's revenue comes mainly from the Community's "own resources" (page 6).

In 1973, the Community allocated UA 350 million for agricultural improvements. The Community spent UA 3.8 million on market support and export rebates. The Council of Ministers is reviewing Commission proposals for changes in rules which could save UA 1 billion in price supports by 1978.

FARM REFORM

New techniques have raised productivity in some parts of the Community, but European agriculture is still backward by US standards. Too many farmers still work farms too small for today's modern methods. In 1972, the Nine's farm size averaged 37 acres, compared to 381 acres in the United States.

For the first 10 years, the Community relied mainly on the common market organizations and price supports to deal with these problems. Today, the Community is trying to dovetail agricultural policy with social, regional, tax, environmental, economic, and consumer policies. Agricultural reform's triple goal is to reduce imbalances among the markets for different products, to simplify the farm policy's administrative machinery, and to lower the cost of price supports. Vocational training for ex-farmers is one of its important features.

CURRENT STATE OF FARM POLICY

Though criticized for over-protecting Community farming and causing high food prices, the common agricultural policy stabilizes the domestic market during world food shortages. Its export levies protect consumers against sudden world market price hikes and guarantees food supplies. Toward the end of 1973, for example, the world durum wheat price was twice as high as the Community price.

Continuous monetary instability since 1969 has shaken the common farm policy. Common prices could not be maintained when the relative values of member countries' currencies changed constantly. To compensate for these changes and to protect farm income, the Community temporarily introduced levies, called "compensatory amounts," on agricultural trade between members. With the return of monetary stability, these levies will be removed.

Besides free trade, a common market means free movement of labor and capital and freedom to offer services anywhere in the Community.

OF LABOR

Laws passed between 1961 and 1968 made free movement of labor a reality. Later laws improved Community migrants' rights in partner countries.

Since 1968, nationals of EC countries have been able to go to another member country to look for or to accept a job without work permits, merely by presenting a passport or identification card. Community migrants must be given the same employment opportunities as a citizen of the host country has, except for government employment. They are also entitled to equal treatment in salaries and wages, working conditions, vocational training and retraining, social security, union rights, and access to housing and property. Employers must give Community nationals preference over foreign workers in hiring.

The right to free movement does not apply to workers from other Community countries' dependencies, to associated countries' nationals, or to migrants from non-Community countries.

The Community runs a job brokerage service through its European Coordination Office. EC member countries' employment services report to this office each month jobs that cannot be filled at home. The office matches jobs with job hunters.

Labor mobility within the Community paradoxically diminished while barriers to free movement were being dismantled. In 1965, 261,000 EC nationals left their homes for first jobs in other EC countries, compared with 204,500 in 1970, and an estimated 225,000 in 1973. Most movement has been from Italy to Germany because of unemployment in Italy. Thus, economic and social conditions seem to influence the Community's labor mobility more than does the removal of restrictions.

The Community has been traditionally short of labor. About 6,000,000 non-Community migrants now work there. Most of these workers entered the Community under bilateral arrangements. Most migrants return to their countries in two to three years. They come mainly from Turkey, Greece, Spain, Portugal, Yugoslavia, and North Africa.

The rules on free movement of labor apply only to blue collar workers. Other members of the labor force are covered by the EEC Treaty provision on the right of establishment and freedom to offer services. The right of establishment and freedom to offer services

Migrant workers in Milan, Italy, wait for the train that will take them to new jobs in Germany. The Community has achieved "free movement of labor," meaning that citizens of any of the nine member countries can work in any of them without losing social security benefits.

allow companies and individuals to do business or practice a profession anywhere in the Community. They do not yet apply to every type of business, profession, or service. Here, the main obstacle to progress has been disagreement over "equivalency of diploma," over whether a German engineer's diploma guarantees training at least as complete as a Belgian diploma, for instance.

So far some 40 directives are in force. They have removed restrictions on wholesale, retail, and intermediary trade (except tobacco, and toxic products), manufacturing, and on part of the film-making, banking, and insurance industries.

The Council of Ministers has a backlog of Commission proposals dealing with professionals, including architects, physicians, engineers, lawyers, journalists, and veterinarians.

OF CAPITAL

Free movement of capital is essential for a common market's balanced growth and equal competition between member countries. Thus, the Community has tried to end discrimination based on an investor's nationality, place of residence, or place of investment. This goal has proven elusive. Member governments traditionally control capital movements to prevent harm to the balance of payments, economic growth, and employment. In addition, international monetary instability has hindered the Community's efforts to free capital movements. Only two directives on capital movements are in force, one enacted in May 1960, the other in December 1962.

Taxation

The Community is aligning its members' indirect taxes and excise duties. When this work is finished, tax controls at the internal borders can end.

Perhaps the Community's biggest achievement in the field of taxation has been the replacement of national turnover and cascade taxes with a common system taxing the value added to goods at each stage of production and distribution (VAT). Hairdressing, restaurant service, and other services are also subject to VAT.

Britain, Ireland, and Denmark all applied VAT by April 1973.

As customs duties disappeared, taxes became a larger part of the export price of goods. The VAT neutralizes tax differences by enabling refunds of the exact tax paid in the exporting country and allowing the importing country to collect its VAT on the goods. The Commission sent proposals for a uniform VAT assessment base to the Council of Ministers on June 29, 1973. Eventually, tax rates will be aligned.

The VAT has to be harmonized both because it affects trade and because it will constitute part of the Community's own revenue by January 1975 (page 6).

Commission proposals to harmonize excise duties on hydrocarbon combustibles, oil, beer, wine, alcohol, non-alcoholic drinks, and tobacco await Council decision.

The Community is trying to harmonize corporate tax laws because differences interfere with free movement of capital. The Commission has made proposals for harmonizing taxes on distributed profits, on withholding taxes on dividends and bond interest, and on joint assets in mergers between companies located in different member states. It has also made proposals for taxing parent companies and subsidiaries located in different member states.

Banking

To enable banks to compete throughout the Community, joint rules are being developed here, too.

Transport Policy

Beginning in 1975, EC-nationality banks and other financial institutions will be able to open branches anywhere in the Community under the same conditions as local banks. Their activities will, however, be limited to international banking services involving capital movements.

The Community is trying to align regulations affecting bank liquidity, solvency margins, and bankers' qualifications.

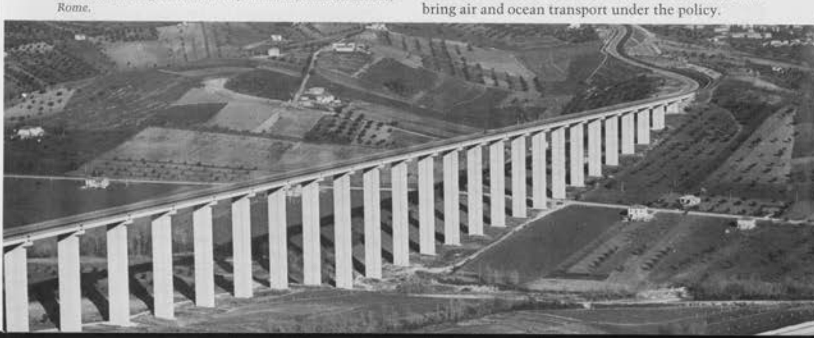
Insurance

Insurance laws are being harmonized. Member states are forbidden to discriminate against reinsurers in partner states. Laws on motor vehicle insurance have been aligned. Policies must now include any coverage compulsory in any member country. As a result, "greencard" insurance checks at borders between member countries ended in July 1973.

Non-life insurers of EC nationalities can offer their services anywhere in the Community if they comply with common rules on solvency margins and reporting on their activities. The Community now plans to coordinate national laws so that life insurance companies' branches and agencies have the same freedom.

When insurance companies can operate across internal borders without opening offices in the policyholder's country, the common market in insurance will be complete.

The Adriatica Highway between Bologna and Canosa, Italy. The Commission's transport program for 1974-76 would remove highway transport's competitive advantage over other forms by including the cost of highway construction, now paid by governments, in the freight rate. Courtesy Italian Information Service, Rome.



Europe's transport systems were developed to serve domestic traffic, not international. Unlike the US transport network, continental in thrust from its earliest days, defense-conscious Europe's systems thinned out near national borders and focused on national capitals. A host of discriminatory practices and charges stifled competition. The Community's founders foresaw that goods could not move freely through such a tangle. The EEC Treaty provided for a common transport policy for railroad, highway, and inland waterway traffic. The treaty said air and ocean transport could be included later. It banned discrimination based on nationality between carriers and by carriers based on a shipment's origin or destination. It permitted government subsidies only for public service requirements or for coordinating different types of transport.

Early transport policy stressed free competition and standard working conditions. Common rules were passed: describing permissable government subsidies to railroads; limiting drivers of big trucks to 48 hours a week behind the wheel; requiring member countries to consult each other about major infrastructure investments, such as superhighways.

Despite the economic importance of these and other rules passed, the common transport policy features more goals than achievements. Action has been piecemeal, and policy lacks continuity.

Thus, in October 1973, the Commission outlined a transport program for 1974-76. The new policy stresses competition among different forms of transport. The Commission thinks including all costs in the price of each type of transport could relieve urban traffic, improve land use, and obtain the best value from investments in infrastructure. The Commission would also bring air and ocean transport under the policy.

Competition Policy

The Community's competition policy borrowed many features of US antitrust law. Until the ECSC Treaty, competition rules were rare in Europe. During the postwar occupation of Germany, antitrust laws were introduced to prevent recartelization of the Ruhr's coal and steel industries. The ECSC Treaty incorporates a strict competition policy which still applies to the coal and steel industries. The treaty's drafters believed that forming a common market would be pointless if individual manufacturers could make arrangements which effectively protected their markets from outside competition. The advantages of price competition and size would have been lost.

The ECSC Treaty gives the Commission (known as the "High Authority" in 1951) power to decide whether a merger may occur and to fine companies for practices which distort competition. It allows the Commission to authorize restrictive agreements which improve production or distribution and which contain no unessential restrictions.

The EEC Treaty covers trade in all products not under the ECSC Treaty. The EEC Treaty bans such restrictive practices as market sharing, quota fixing, exclusive dealing, voluntary pacts to control imports, and abuse of a dominant position. Like the ECSC Treaty, the EEC Treaty allows the Commission to impose fines for infringements and to exempt restrictive agreements which improve production or distribution and which contain no unessential restrictions. To those provisos, the EEC Treaty adds that restrictive agreements must benefit consumers and have little effect on the industry involved.

The ECSC Treaty gave the Commission broad power over a narrow field to act on its own without further authorization. The EEC Treaty outlined the principles of competition policy and stipulated that the Council of Ministers, acting on a Commission proposal, must pass laws to put those principles into effect.

The first such regulation, in February 1962, activated the treaty's competition clauses and filled in details. It gave the Commission powers of inspection and enforcement. It required companies having agreements that could affect trade between member countries to submit their agreements to the Commission for clearance. The Commission could clear an agreement, ban it, or request changes. This regulation empowered the Commission to impose fines of up to UA 1,000,000 or 10 per cent of a company's turnover for violations. It also gave companies immunity from fines until the Commission could rule on the legality of their agreements.

The Commission was deluged with agreements. A March 1965 Council regulation enabled the Commission to declare "block exemptions" for some types of agreements by issuing regulations. The largest group involved simple exclusive dealing rights between manufacturers and distributors. Such agreements are permitted if they are regional, within a single country, and do not affect imports or exports. Other permitted agreements involve specialization, joint research and development, joint advertising, joint use of quality labels, standardization, joint participation in trade fairs, and joint purchasing.

Decisions by the Commission and the Court of Justice have laid the base of a case law further defining competition policy. The Court has held that patents, trademarks, copyrights, and know-how licenses cannot be used to guarantee absolute territorial protection.

DOMINANT POSITIONS

The EEC Treaty prohibits the abuse of a dominant position. The Commission first tested this provision when it decided that Continental Can's very acquisition of a Dutch company constituted an abuse, without any of the trade restraints mentioned in the treaty. The Court of Justice upheld Continental Can's appeal, in February 1973, on the grounds that the company did not have a dominant position but supported the Commission's contention that the treaty empowered it to regulate mergers across the Community's internal borders.

The Continental Can decision covered only mergers in which one company already had a dominant position. A July 1973 Commission proposal would allow the Commission to control major mergers. Companies would have to notify the Commission three months before any move that would result in a "major concentration."

STATE MONOPOLIES AND STATE SUBSIDIES

Competition rules also apply to state monopolies and state subsidies.

State monopolies have to give up exclusive import rights. The French and Italian national tobacco monopolies now buy and sell cigarettes, cigars, and tobacco from other Community countries. The Commission has made recommendations for reorganizing other state monopolies, mainly in France and Italy.

State subsidies to poor areas and depressed industries, such as shipbuilding, are also regulated so that cutthroat outbidding does not distort competion.

Economic and Monetary Union

Economic and monetary union is both the logical outgrowth of a customs union and the cement needed to hold it together.

As early as 1964, the six founding members discovered that their fledgling Common Market had an existence of its own. Trade had bound the six economies so closely that inflation in one country quickly spread to the others. Some economic policy decisions had to be made jointly, since each member country's policy affected all.

The EEC Treaty committed member states to view cyclical policy and exchange rates as matters of common concern and to designing economic policies for balance-of-payments equilibrium. It provided for a Monetary Committee to help coordinate members' economic policies, to review their monetary and financial position, and to deliver opinions at the request of the Commission or Council of Ministers. In 1964, the Committee of Central Bank Governors was formed to coordinate policy at the operational level.

Beginning in 1969, repeated currency crises argued for tightening economic and monetary policy coordination. Revaluations and devaluations threatened the Common Market, based on free trade in stable monetary conditions.

Various Commission and member state proposals led to a preliminary report, in May 1970, on ways of achieving economic and monetary union. A month later the Council of Ministers adopted the conclusions of the "Werner Report," named after Luxembourg Premier and Finance Minister Pierre Werner who had presided over the group of experts who had drafted it. The Council resolved that by 1980 the Community should

- comprise an area where persons, goods, services, and capital move freely—but without distorting competition or causing structural or regional imbalances—and where economic activity could develop on a Community scale
- develop a single monetary personality within the world monetary system, characterized by complete and irreversible currency convertibility
- hold economic and monetary powers to allow its institutions to administer economic union.

The final Werner Report and formal Commission proposals were finished in October 1970. The first stage of economic and monetary union began in March 1971. During the first stage, 1971 through 1973, the Six agreed to

- narrow the exchange-rate margins between their currencies
- form a UA 2 billion medium-term aid pool to support members' currencies under exchange market pressures because of balance-of-payments deficits. (This medium-term aid was in addition to a UA 2 billion short-term pool created in February 1970.)
- coordinate short- and medium-term economic and budgetary policies
- hold regular meetings of finance ministers and central bank governors.

Exchange rate fluctuations were narrowed in April 1972. A 2.25 per cent Community band or "snake" moved within the 4.5 per cent world "tunnel." After further monetary storms at the beginning of 1973, six member countries' currencies repegged and jointly floated against the dollar. Britain, Ireland, and Italy floated separately. In January 1974, France also floated.

The European Monetary Cooperation Fund was created in April 1973 for medium-term balance-of-payments support (two to five years). It also began managing short-term aid (two to three months). With the addition of the three new members, both short- and long-term credit resources expanded to UA 2.725 billion each. An additional UA 1.5 billion could be raised from and lent to each member state. The fund will be capitalized at UA 500 million. Gradually, the Nine plan to pool part of their gold and foreign exchange reserves in the Monetary Cooperation Fund.

Member states have intensified economic policy coordination. They held three special Council meetings on economic policy in 1973. Quantified guidelines for price increases, growth rates, unemployment, and balance of payments were set in the third Medium-Term Economic Policy Program, covering 1971-75.

In February 1974, the Short- and Medium-Term Economic Policy Committees and the Budgetary Policy Committee were merged into the Economic Policy Committee. This merger streamlined the decision-making process in overlapping areas. The committee consists of four Commission representatives and four experts from each member country.

During the second stage of economic union, from 1974 through 1976, member states plan to continue working out conflicts in their economic policies and to consolidate other common policies. Employment and other social policies (page 20) and regional policy have been marked for close attention during the second phase. Disagreement about the size and the operation of the European Regional Development Fund delayed the start of the second stage of economic and monetary union, scheduled for January 1974.

Regional Policy

The Bonne Espérance-Logndoz factory in Chertal, Belgium, was built on the ruins of the Bonne Espérance mine which closed down. Construction of the plant was partly financed by a loan from the European Coal and Steel Community under its program for bringing new industry into declining coal and steel regions.

To narrow the gap between the Community's prosperous areas and backward regions was a main goal set by the EEC Treaty. Most underdeveloped areas depend on farming or on old-fashioned industries for their peoples' livelihoods. These areas include southern Italy, western and southwestern France, northern Holland, Germany's eastern border, half of Ireland, and parts of northern England, Wales, and Scotland.

The Community's regional aid antidates the EEC Treaty. The 1951 ECSC Treaty authorized the Community to give loans to attract new industries into declining coal and steel regions and to retrain workers for new jobs (page 20). By the end of 1973, UA 225 million had been spent on vocational rehabilitation. ECSC reconversion loans totaling UA 228.5 million had created new jobs in former coal and steel centers.

Unlike the common agricultural policy, which the EEC Treaty set forth in great detail, what has become regional policy today, was described only in general terms of "reducing the differences existing between the various regions." The treaty did, however, give the Community three instruments which could be used for regional aid: the Social Fund, the farm fund's guidance section, and the European Investment Bank.

SOCIAL FUND

The Social Fund has eased regional difficulties by providing UA 563 million by the end of 1973 to retrain and resettle 1.7 million workers. Shipbuilding, the textile industry, and Italian sulphur mines have been among the industries receiving special aid from the fund. The fund's 1974 budget is UA 327.8 million.

FARM FUND'S GUIDANCE SECTION

The farm fund's guidance section had committed UA 933 million by the end of 1973 for modernizing farming and raising living standards in poor agricultural areas. A December 1973 Council directive allows member countries to vary aids according to the needs of the region. A second 1973 Council directive permits member countries to give special aids to keep farmers on the land in especially backward rural areas to protect the countryside.

EUROPEAN INVESTMENT BANK

The European Investment Bank (EIB) is an independent non-profit public body. It lends money to financial institutions, autonomous public authorities, public enterprises, and private companies for projects

- to develop backward areas
- to modernize or convert undertakings or develop new activities too large or expensive to finance in individual member countries
- to benefit several member countries and too large or expensive to finance in individual member countries.

EIB loans are seed money, paying only part of the cost of each project. Investors and other institutions furnish the rest of the capital needed.

Seventy-five per cent (UA 1.83 billion) of the bank's loans and guarantees from 1958 to 1972 involved regional development. The bank also gives financial aid to Community associates (page 24).

Typical EIB-financed regional development projects include port and telecommunications improvements and highway construction.

All EC member countries belong to the EIB. The bank's subscribed capital is UA 2.025 billion. The bank can also raise money by bond issues, which amounted to UA 479.5 million in 1972.

REGIONAL DEVELOPMENT FUND

Member countries have agreed to create a European Regional Development Fund. The fund would help finance investments in areas receiving national aid and which have per capita incomes below the Community average. The Nine failed to keep the December 31, 1973, deadline for agreeing on the size of the fund, operating rules, and the size of each country's contribution. The transfer of resources from rich to poorer countries was the main political issue under discussion.

Industrial Policy

Industrial policy monitors the health of industry and plans for the industries of tomorrow. It is closely tied to regional policy as well as labor and competition policies (pages 20, 13). It sets goals for the Community's overall industrial growth in the attempt to reap full benefit from productive resources. It eliminates technical barriers to trade, such as differences in safety standards, so that manufacturers receive every advantage of a common market with 255 million consumers. It encourages the formation of companies of continental size and able to compete with the United States and Japan at home and abroad.

The ECSC Treaty empowered the Commission to authorize and fund joint research and development in the coal and steel industries. The Community also helps finance vocational rehabilitation programs for miners and steelworkers whose jobs disappear because of technological progress. The Euratom Treaty gave the Community similar powers in the nuclear industry.

The EEC Treaty did not provide for an industrial policy as such. An outline came only in March 1970 with a broad Commission plan for removing legal, fiscal, political, and social barriers to the development of European multinational companies. In December 1973, the Council of Ministers approved a flexible timetable for completing the following industrial policy priorities by 1978:

- removing remaining technical barriers to trade in foodstuffs and industrial goods
- initiating open bidding for public works contracts
- removing fiscal and legal barriers to transnational mergers
- making proposals for developing capital intensive industries, such as data processing
- making rules for the formation of "European" companies and their statutes. This legal form would coexist with national law. It would allow mergers between companies of different nationalities without the choice of a single nationality for the new company (page 18).

REMOVING TRADE BARRIERS

Differences in member countries' safety and quality standards mean that a manufacturer who wants to sell throughout the Community may have to comply with up to nine norms. To save companies the expense of small production runs and expensive retoolings this situation entails, the Council of Ministers enacted a program to "approximate" standards, in May 1969. By February 1974, the Council had passed more than 40 directives setting common standards for products ranging from scales to detergents. The Community plans to complete the original program and an additional one adopted in May 1973 before the end of 1977.

OPENING PUBLIC MARKETS

Purchases by member states' government agencies and public utilities represent a growing share of the market for manufactures, about 17 per cent. Yet only 5 per cent of public orders go to suppliers in other member states. Advanced technology and heavy industries, which depend on public purchases, have scarcely benefited from economies of mass production for a large common market.

The Commission has drafted directives to open major public contracts to bidders from every member country. To change public buyers' discriminatory attitudes, the Commission wants hearings on public tenders, added contacts between public buyers, and statistics on bids.

Discrimination by nationality in public works contract awards has been banned since August 1972. Invitations to bid on public works in the civil engineering and building industries must be advertised in the Community's *Official Journal* if they involve UA 1 million or more. The authorities must also consider tenders from every other member country.

TRANSNATIONAL EUROPEAN COMPANIES

To help European companies grow to Common Market size, the Community encourages transnational intra-Community ventures. In May 1973, the Commission opened a Business Liaison Office which had answered nearly 1,000 inquiries about joint ventures and other commercial questions by the year's end. To promote Community-sized, advanced technology companies, the Community plans to initiate development contracts. These contracts would go to companies participating in transnational research or working on projects of Community interest.

To provide capital for transnational mergers and to promote joint exports, eight major national finance institutions joined forces with the European Investment Bank (page 15) in November 1973. Projects to be financed would involve more than one credit institution and be so large as to need some external financing.

The EIB also finances projects to spur the Community's industrial growth. Between 1958 and 1972, the bank spent UA 59.3 million on partial financing of such projects. The bank gives special consideration to transnational projects when deciding upon its financing activities.

Core Memories, Ltd., Dublin. The Community's industrial policy encourages the formation of companies large enough to compete throughout the Nine and to invest in the research necessary to develop tomorrow's technology.

Member states plan to iron out differences in their company laws discouraging transnational links between companies. Common rules are planned for company formation, accounting methods, increases in capital, and mergers.

In addition to "European companies," the Community is working on legal forms to encourage business regroupings under EC, not national, law. These forms include

- a *European cooperation group*, a non-profit association of companies with common interests working together toward specific goals. This arrangement would help small and medium-sized companies by providing joint services, such as sales offices, centralized accounting services, and research.
- a *joint undertaking*. This status, conferring tax and other advantages, is now reserved for companies in the nuclear industry that provide a public service or do major technological projects of Community interest.

The industrial policy program also calls for alignment of national systems for taxing parent companies and subsidiaries in different member countries and joint capital in mergers between companies in different member states.

SPECIAL PROBLEM INDUSTRIES

The Community's industrial policy pays close attention to industries with special problems, such as the technology and capital intensive data processing and aeronautical industries, the recession sensitive shipbuilding industry, and the backward paper industry. Future proposals will address the textile, nuclear, and heavy mechanical and electrical engineering industries. Efforts to reach a common policy on raw material supplies, especially non-ferrous metals, also form part of the common industrial program.

In January 1965, the Community began a consultation procedure on export guarantees and credit insurance which so heavily influence the selling price of capital goods, such as locomotives, and the construction price of large plants. A Council decision in December 1973 tightened the consultation procedure, designed to prevent member countries from outbidding each other on export credit and guarantees.

MULTINATIONAL COMPANIES

The Community is considering laws to make sure that multinational companies do not restrict competition or harm workers. Multinationals' size frees them of many traditional checks imposed by public authorities and labor unions, which have not consolidated to worldwide or Community-wide dimensions. Their financial weight raises problems in taxation and currency dealings. Some multinationals' annual turnovers exceed the smaller EC member countries' national budgets.

According to ideas outlined by the Commission in November 1973, the Community plans no discrimination against multinationals. Some of the Commission's suggestions would facilitate international activity, while others would curtail companies' freedom. Suggestions include

- a good conduct code for takeovers, requiring publication of ample information, including the source of funds used and the bidder's identity
- intergovernmental cooperation to minimize tax evasion and keep an eye on inter-company sales and license agreements
- publication of companies' consolidated accounts broken down by country to show the flow of investment money, profits and taxes as a percentage of sales, research costs, and licensing revenue.

Science and Technology Policy

INDUSTRIAL PROPERTY

The European Patent Office, based in Munich, plans to open in 1976, following the October 1973 signature of the European Patent Convention. A single application to the office will give inventors patent protection in 21 countries—the Nine, plus Austria, Finland, Greece, Liechtenstein, Monaco, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and Yugoslavia. This system was designed to overcome the advantage large companies have over smaller competitors in arranging for patent coverage throughout Europe.

The International Patent Office in The Hague will conduct the patent search to test originality, patentability, and commercial worth.

Community members are to sign a convention to unify their patent laws. The convention would make any EC country's act, such as revoking a patent, valid throughout the entire Community. The treaty would also prohibit market sharing, licensing a patent in only one EC country.

The Commission has published a draft European trade mark convention whereby companies could obtain trademark protection throughout the Community by registering once with a European trademark office.

COMPANY LAW

Economic union involves the alignment of company laws on business practices, such as mergers and disclosure of information to stockholders. So far, two alignment directives have been enacted.

A March 1968 directive provides for common rules to protect stockholders and third parties. It requires companies to publish their articles of incorporation and an annual statement of accounts and to give information about their directors and conditions for dissolving the company. The Community also plans to unify bankruptcy laws.

A September 1973 directive specifies minimum capital requirements for companies and gives harmonized guidelines for increasing or decreasing stock capital.

Three other draft directives await Council action. They would

- align rules for protecting parties affected by mergers
- harmonize disclosure requirements for balance sheets and profit and loss statements
- give workers a voice in corporate management by seating them on the company's supervisory board.

Science and technology hold the key to tomorrow's healthy industries. Here, too, Community members pool their efforts, acknowledging that individually they cannot finance the wide range of advanced technology projects needed today.

ECSC

The ECSC does research into health and pollution problems found in the coal and steel industries. Working through the national research institutes, the ECSC had spent more than $120 million on research by February 1974. Projects have included studies of coalminers' "black lung" disease and of ways of limiting air pollution by sulphur dioxide released in steelmaking.

EURATOM

Euratom does nuclear research at the Community's Joint Research Center with facilities in: Ispra, Italy; Karlsruhe, Germany; Geel, Belgium, and Petten in the Netherlands. By February 1974, Euratom had spent UA 1.03 billion on research. Its work has resulted in 1,463 patents and 5,000 scientific articles. Projects have included studies of the effects of radiation on plants, animals, and insects and a program on controlled thermonuclear fusion.

EEC

The EEC Treaty does not specifically provide for research, but at the Paris Summit member countries decided that their joint research activities should be extended into key technologies. Data processing, telecommunications, metallurgy, pollution control, oceanography, new means of transport, and meteorology were designated priority areas of research. On January 14, 1974, the Council of Ministers accepted the Commission's proposed guidelines for a broad science and technology policy involving

- coordination of every aspect of national research and development not excluded by military or industrial property considerations
- promotion of basic research within a European Science Foundation
- forecasts of long-term research needs
- joint projects for research in each priority field.

The Community often opens research projects to other countries. In October 1973, for example, 15 European countries signed a convention for a medium-range weather forecasting center in England. The European Science Foundation will be open to non-member countries.

Energy Policy

The European Community uses half as much energy as the United States, 840 million tons petroleum equivalent in 1971. Unlike the United States, which can fill all but 9 per cent of its energy needs domestically, the Community imports 63 per cent of its needs. The economic importance of energy and the Community's vulnerability to shifts in sources of supply have made energy policy a Community priority.

The energy policy has been slow to develop, partly because the Community treaties split up responsibility for energy. The ECSC Treaty covered coal and coke; the Euratom Treaty, nuclear energy, and the EEC Treaty, oil, natural gas, and petroleum. The merger of the three Communities' executive institutions in 1967 ended this inconvenience by creating a single Commission and a single Council of Ministers which could discuss every type of energy at the same time.

Today, wide differences in member countries' needs, policies, and policy administration still impede progress toward a common policy. Different authorities handle prices, taxation, investment, and commercial policies. Different types of fuel are more or less important in various member states' consumption patterns. Coal-poor Denmark, for example, relies on petroleum for 95 per cent of its consumption, while coal-rich Luxembourg consumes only 31 per cent of its energy in the form of petroleum and 53 per cent in the form of coal. Government involvement in energy administration also differs. In France, for example, the state controls oil imports while other member countries leave import management to private enterprise.

Despite the priority given verbally to the development of a common energy policy, member countries' reactions to Arab oil embargoes after the October 1973 Arab-Israeli war showed how far off a common energy policy still was. In April 1973, the Commission made proposals for comprehensive energy guidelines, but so far Council action has been piecemeal. Measures enacted include common rules on

- subsidies to promote coke and coal deliveries to Community steel mills
- minimum oil stocks of 65 days, to be raised to 90 days by January 1965
- reports to the Commission on investment plans for oil, natural gas, and electricity and on oil and natural gas import programs
- Community aid to development of new techniques of oil and natural gas prospection
- petroleum rationing, price controls, and management and distribution of emergency oil stocks by July 1, 1974.

The Council is still considering Commission proposals to

- build a uranium enrichment plant by 1985 to fuel nuclear power stations
- align excise duties on heating oils and apply common rules on oil imports
- ban discrimination by operators of pipelines that cross intra-Community borders.

The Commission thinks a common energy policy should also include cooperation with both energy importing and energy exporting countries and joint action on pollution control and nuclear reactor accident prevention.

Unloading of petroleum, Antwerp, Belgium. Community members are trying to reduce their dependence on petroleum, which now supplies 60 per cent of their energy needs, by promoting the use of natural gas and nuclear energy.

Quality of Life

In addition to raising living standards through economic growth, the Community is committed to improving its peoples' quality of life by programs to better living and working conditions, promote education, protect consumers, and cleanse and preserve the environment.

SOCIAL AND LABOR POLICY

The ECSC Treaty set the precedent for social action later expanded in the EEC Treaty. Both treaties protect workers' rights to move to partner countries for new jobs without losing social security benefits (page 10). Both treaties recognize that workers have to be shielded from abrupt economic changes and helped to adjust to new jobs. The idea of the Community's innovative adjustment assistance program was borrowed by the United States in the drafting of the Trade Expansion Act of 1962.

Between 1952 and 1973, the ECSC spent UA 225 million to retrain and re-employ coal and steel workers. Redevelopment loans to bring new jobs to coal and steel centers amounted to UA 228.5 million. By the end of 1973, UA 153.7 million had been granted to help build 126,000 houses for coal and steel workers.

The EEC Treaty provided for a European Social Fund to help retrain workers in industries besides coal and steel. The fund repays up to half member state expenditures on Commission-approved projects to retrain and resettle workers hurt, or likely to be hurt, by economic change. By the end of 1975, the fund will have allocated UA 691 million to help more than two million workers. Its 1974 budget is UA 225 million, financed from the Community's own revenue.

A Standing Committee on Employment, created in June 1970, helps coordinate national employment policies and gives labor unions a voice in Community employment policy.

In other social policy action, the Community has undertaken to

- develop a common vocational training policy, including minimum qualification standards for machine tool operators, lathe operators, and other tradesmen
- secure equal pay for women
- compile comparable data on social security, working hours, on-job accidents, and labor disputes.

Responding to social and labor discontent about the consumer society and mindless work in the early Seventies, the Community unveiled a social reform program in January 1974. The program stresses: job enrichment; involvement of workers in corporate

Danish bricklayers. Equal pay for men and women performing the same job is a main objective of the Community's social and labor policy. Courtesy Danish Information Office, New York, NY.

and Community decisions affecting them, and the promotion of centers to deal with the special employment problems of migrants, women, school drop-outs and elderly and handicapped workers. It also prescribes increased intra-Community exchanges of young workers. A 40-hour work week and four weeks' paid vacation for all are goals for 1976. Long-range goals include improvements in the distribution of income and wealth, on-job safety, and public housing, especially for migrant workers.

EDUCATION POLICY

Community education policy accents the need for continuing or "permanent" education of people who will have more than one career during their working lives and who live in a multilingual Community. The Community's novel European School experiment (page 6) could well be extended throughout Europe.

Until the 1969 Paris Summit, Community activities in the field of education were limited to the European Schools, vocational training, and mutual recognition of diplomas of physicians, architects, and many other professions. In accordance with the wishes expressed by member governments at the Paris Summit, the six founding members' ministers of education first met as the Council of Ministers in November 1971.

A fully fledged education policy is in the planning stages. A convention for the creation of a European University Institute, a postgraduate institution specializing in European integration, awaits ratification. Faculty recruiting began in February 1974.

CONSUMERS

Free trade has widened consumers' choice of food and goods and heightened the need for consumer information and protection.

In December 1973, the Commission sent to the Council of Ministers a preliminary consumer information and protection program. It set the following priorities for action over the next three years:

- tightening health and safety standards for foodstuffs, dangerous products, and other goods
- eliminating unfair and misleading sales practices, such as supplying unsolicited goods, false advertising, and unfair contracts
- increasing protection for consumer credit and lease purchases
- providing comparative price statistics and improving labeling.

Competition policy (page 13) also helps consumers. For example, the Community has fined sugar producers UA 9 million for depriving consumers of the benefits of free imports. The Community has also condemned agreements in the record industry that made identical records cost much more in Germany than in France.

Competition policy has helped to narrow certain consumer price differences from member country to member country, but retail prices of many goods still vary widely. Differences in transport costs and tax rates partly explain this situation, but administrative complexities at internal borders are a main culprit. Some mail order houses add 20 per cent to catalogue prices to cover these extra costs. The Commission is working with the national administrations to cut this red tape.

ENVIRONMENT

Some Community work has helped to improve the environment, but it was not until July 1973 that an environmental program was established. Before then, programs to reduce technical barriers to trade, by writing common product standards, indirectly benefited the environment. Now Community law sets common restrictions on such diverse matters as pollution from auto exhaust and non-biodegradeable detergents.

The Community environmental policy tries to "improve the setting and quality of life and the surroundings and living conditions of the Community population." The policy, based on the principle of "the polluter pays," was designed to

- prevent, reduce, and eliminate pollution where possible
- maintain the ecological balance and protect the biosphere
- tap natural resources without damaging the ecological balance unnecessarily
- persuade policy-makers to consider the environment when formulating other policies.

Coordination of member state environmental action is the Community's main role. The Community also works with such international organizations as the International Commission for the Protection of the Rhine Against Pollution, the Organization for Economic Cooperation and Development, and the United Nations.

Munich, Germany, has closed its center to vehicular traffic, freeing it for pedestrians. By putting people first, the Community's environmental policy tries to improve the quality of life. © Max Prugger, Munich. Courtesy Organization for Economic Cooperation and Development, Paris.

The Community and the World

The Community's economic size and dependence on imported raw materials and export outlets make good relations with the rest of the world imperative. In addition to following a common trade policy toward non-member countries (pages 6-8), the Community and its member states practice active economic and technical aid policies toward the developing world (page 24).

More than 90 non-member countries, including the United States, have diplomatic representatives accredited to the Community. The Community has delegations accredited to the United States, Chile (for Latin America), the OECD in Paris, and the international organizations based in Geneva, such as the GATT.

Every EC country belongs to the International Monetary Fund (IMF), the OECD, the GATT, and the Council of Europe. Every Community country but Ireland belongs to the North Atlantic Treaty Organization (NATO). The Nine maintain close relations with many other international bodies, such as the United Nations' specialized agencies.

For international conferences and negotiations, the Nine develop common positions, as they have done for the Conference on Security and Cooperation in Europe (CSCE) and the GATT trade talks which opened in Tokyo in September 1973. They are working on a common position for monetary negotiations within the IMF. The Commission conducts negotiations for the Community on the basis of a Council mandate.

WORLD IMPACT

The Community's impact on international relations can be judged by the number of countries that have asked for

- full membership, open to European countries
- association leading to membership, open to less-developed European countries
- association leading to customs union or free trade area, open to developing countries
- trade (page 8) and technical aid agreements (page 24).

The Council of Ministers unanimously approves the opening of membership negotiations and, on their conclusion, the terms of entry. The national legislatures ratify the terms of entry.

Association agreements are unanimously approved by the Council. Trade agreements can be approved by a weighted majority vote of the Council.

The Community negotiates as a unit with countries seeking membership, association, or bilateral trade agreements. The Commission conducts negotiations on the basis of Council mandates.

EXTERNAL RELATIONS BY AREA

Western Europe

The Community has extended an open membership invitation to any democratic West European country with a similar economy. The Community has free trade agreements with Britain's and Denmark's former EFTA partners (page 8). It also has international transport agreements with Austria and Switzerland.

United States

All postwar US Administrations have strongly supported European unity as a cornerstone of the Atlantic alliance. They have viewed the Community as the instrument of European unification.

Every Commission and High Authority President since Jean Monnet has paid an official visit to the White House. Twice a year, once in Brussels and once in Washington, Community representatives and members of the US Administration meet to discuss common concerns, ranging from trade and monetary affairs to the energy crisis. The Delegation of the Commission of the European Communities handles day-to-day business. Trade disputes are aired and often settled in these two forums and in the GATT. Regular exchanges of members of the European Parliament and of the US Congress provide further opportunities for transatlantic dialogue.

Euratom and the US Atomic Energy Commission (USAEC) have a cooperation agreement which provides for exchanges of scientific information and supply of fissile materials to Euratom. In 1973, Euratom's payments to USAEC for nuclear fuel amounted to $52.3 million.

US direct investments in the Six amounted to $15.7 billion in 1972, compared with EC investments of $3.9 billion in the United States. The two devaluations of the US dollar have made investments in the United States attractive to European companies, so that the disparity in the size of each partner's investments on the other side of the Atlantic may narrow. In 1972, investments in the Six and Britain returned $2.3 billion to the United States in repatriated profits.

Japan

A similar dialogue developed between the Community and Japan in 1973 after both sides agreed to postpone negotiations for a bilateral trade agreement so that it could reflect the results of the current GATT talks. EC-Japan negotiations had bogged down in mid-1972 over safeguard clauses.

State-Trading Countries

The persistence of national agreements with China and the East Bloc countries stems largely from their reluctance to deal with the Community as an entity. However, in 1972, Soviet Party Secretary Leonid Brezhnev admitted that the Community is a "fact of life." Shortly thereafter, Romania applied directly to the Community for inclusion in its system of generalized tariff preferences and was admitted on January 1, 1974.

At the Copenhagen Summit, the Nine resolved to promote detente and cooperation with the Soviet Union. On August 27, 1973, Secretary General of COMECON Nikolai Fadeyev held unofficial talks on these subjects with Ivar Noergaard who was then President of the Council of Ministers.

Despite Eastern Europe's reticence about treating the Community as a unit, Bulgaria, Hungary, Poland, and Romania have technical and agricultural agreements with the EC.

The Community has no formal relations with China, but every member state has a diplomatic mission to Peking. Chinese officials have voiced support for the Community whose leaders, at the Copenhagen Summit, said they would intensify their relations with China.

Africa

Yaoundé Convention

Right from the beginning, the Community has given close attention to relations with developing countries, especially those linked by tradition to its members. After Britain joined the Community, 20 developing Commonwealth countries were invited to share the close relationship developed with other members' former colonies and dependencies, under a new Yaoundé Convention (page 8) or other arrangement. Negotiations for this new arrangement opened in Brussels in September 1973.

Laying rails for the Transcameroon Railroad, partly financed by the European Development Fund. Both the Community and its member states extend economic and technical aid to the developing world.

East Africa

The Community also has an association agreement with three East African countries: Kenya, Uganda, and Tanzania. The convention was signed in Arusha on July 26, 1968, renewed on September 24, 1969, and expires on January 31, 1975. Unlike the Yaoundé Convention, the Arusha pact provides no aid, only trade preferences. On its expiration, the East African countries will be eligible to participate in arrangements replacing the current Yaoundé Convention.

Mediterranean Countries

The Community has always considered its relations with Mediterranean countries important. Trade pacts have been made with individual countries, resulting in a great variety of agreements with countries in the area.

In September 1972, the Community began to consider a global approach to the entire area. Proposals under discussion would improve Mediterranean countries' access to the Community market, provide financial and technical aid to the least developed countries, and institute cooperation on economic development, migrants' living and working conditions, and environmental protection, especially of the Mediterranean Sea.

Latin America

The 1970 Buenos Aires Declaration marked a turning point in the Community's relations with Latin America. The Latin American countries asked the Community to strengthen commercial and financial ties with them, make special arrangements on agricultural trade, increase technical cooperation, and reduce ocean transport costs. In 1971, the Community and 22 Latin American countries formed the Latin American Coordination Committee, which meets regularly.

The Central American Common Market, the Andean group, and the Latin American Free Trade Area have studied the Community as a model customs union.

The Community has trade agreements with only three Latin American nations: Argentina, Uruguay, and Brazil. However, Latin American countries benefit from EC generalized preferences (page 8).

DEVELOPMENT AID

The member states, through foreign aid programs, and the Community, through the European Development Fund (EDF) and the European Investment Bank (EIB), aid the growth of the "Third World" by financial, technical, and food aid as well as tariff preferences (page 8).

World

In 1973, the governments of Belgium, Denmark, France, Germany, Italy, the Netherlands, and Britain gave $4.1 billion in foreign aid, compared with $3.0 billion provided by the United States. (These statistics exclude Ireland's and Luxembourg's foreign aid pro grams because neither country belongs to the OECD's Development Assistance Committee, the source of these figures.)

The Nine have decided to increase their aid to the Third World, develop common policies on raw materials, improve their generalized tariff preference system, grant technical assistance to regional integration, and ease the developing countries' debt burdens.

Associated Countries

Yaoundé Associates

The Community created the EDF in 1958 to aid its members' overseas territories' social and economic development. The first EDF paid out $581 million. After many of these territories had achieved independence and the signature of the Yaoundé Convention, the second EDF was formed. It was endowed with $800 million to spend over five years. The third EDF has $1.2 billion to spend over the same period. Nearly all EDF aid to the Yaoundé associates is given in the form of outright grants.

Between 1958 and 1972, the Community also made available UA 142.3 million for loans to the Yaoundé countries through the European Investment Bank (page 15).

Turkey and Greece

Aid to Turkey is in the form of loans from the EIB at reduced rates of interest. Between 1958 and 1972, Turkey received UA 175 million in EIB loans.

Similar aid to Greece was terminated after the military coup in 1967. Up to the coup, Greece had received UA 69.2 million in EIB loans.

Community aid helps associates fill basic economic and social needs. It helps build roads, schools, and hospitals. It is also used to diversify and improve industrial and farming efficiency so that the associates' exports can compete on world markets.

FOOD AID

To alleviate hunger in famine or disaster stricken countries, the Community has given food aid since 1968. After the Kennedy Round (page 6), the Six agreed to supply 1,035,000 metric tons of grain a year as part of the 1967 International Food Aid Convention. In 1973-74, the Nine will supply 1,287,000 tons of grain. Without any international commitment, the Community also contributes powdered skim milk, butteroil, sugar, and powdered eggs.

This new bridge over the Bosporus Strait, linking Europe with Asia, was partly financed by a loan from the European Investment Bank. Courtesy British Information Services, London.

Political Union

The goal of political union was present from the Community's earliest history. The ECSC Treaty spoke of using an economic community "as the basis for a broader and deeper community among peoples long divided by bloody conflicts" and of "a destiny henceforward shared." The EEC Treaty expressed the determination of the Six "to lay the foundations of an ever closer union among the peoples of Europe."

The six heads of state and government held their first Summit meeting in Paris on February 10-11, 1961, to discuss French President Charles de Gaulle's proposal for consultations on political, economic, cultural, and defense questions. An intergovernmental committee was appointed to study and report on the French proposals by the next Summit meeting, in Bonn on May 19. The committee's chairman was Christian Fouchet, the French delegate.

At a second Summit meeting in Bonn, on July 18, the Fouchet Committee was asked to screen any new proposals from other governments and to suggest the means by which "statutory form can be given . . . to the union of their peoples." On October 19, France sent the committee a draft treaty for a "Union of States" whose members would cooperate on scientific and cultural affairs and develop common foreign and defense policies. After eight months, in April 1962, treaty-drafting negotiations broke off, mainly because the Six could not agree on whether or not to invite the United Kingdom (then exploring the possibilities of Community membership) to participate in the committee's work.

Europe will not be built all at once, or through a single comprehensive plan. It will be built through concrete achievements, which will first create a de facto *solidarity. . . . These proposals will build the first solid foundations of the European federation which is indispensable to the preservation of peace.*
French Foreign Minister Robert Schuman, Declaration, Paris, May 9, 1950

A period of political stagnation followed this unsuccessful attempt to institutionalize political cooperation by treaty. After 1962, the thrice-yearly political consultations between foreign ministers, agreed upon in November 1959, were discontinued. The rift between the Six widened further after exploratory talks with the United Kingdom about EC membership broke off in January 1963.

The Six did not hold another Summit meeting until May 29-30, 1967, in Rome. This meeting renewed the political dialogue. The heads of state and government also decided to: have their foreign ministers consider the membership application the United Kingdom had made in May 1967; to merge the Community's executive institutions on July 1, 1967, and to resume discusison of an Italian proposal to open a European University in Florence.

Political unification was mentioned for the first time since 1961 in the communiqué issued after the December 1-2, 1969, Summit meeting in The Hague. The six foreign ministers were instructed to report

Resolved to substitute for historic rivalries a fusion of their essential interests; to establish, by creating an economic community, the foundations of a broader and deeper community among peoples long divided by bloody conflicts; and to lay the bases of institutions capable of guiding their future common destiny . . . ECSC Treaty, Paris, April 18, 1951

on "the best way of achieving progress in . . . political unification within the context of enlargement" to include Britain. This broad mandate began the Community's third move toward political unity.

On July 20, 1970, the foreign ministers, meeting in Luxembourg, adopted the report which had been drafted by the political directors of the six ministries of foreign affairs under the chairmanship of Etienne Davignon of Belgium. Since the "Luxembourg Report," political cooperation has been pursued pragmatically, without any attempt to formalize it by a treaty. The report said that foreign policy concertation should enhance the Community's development and make Europeans aware of their collective responsibilities. It outlined a consultation procedure:

- Foreign ministers meet at least twice a year, but a Summit conference can replace a meeting.
- The Political Committee, consisting of the foreign

Determined to establish the foundations of an ever closer union among the Europeans peoples . . . Resolved to strengthen the safeguards of peace and freedom by combining their resources in a single unit, and calling upon the other peoples of Europe who share their ideal to join in their effort, have decided to create a European Economic Community.
EEC Treaty, Rome, March 25, 1957

ministries' political directors, prepares for meetings of the foreign ministers. This committee, sometimes called the "Davignon Committee" after its first chairman, meets at least four times a year.

- Consultations cover "all major questions of international politics" and "all important matters in the area of foreign policy."

The foreign ministers first met twice a year after November 1970 and now meet four times a year. (The Davignon Committee holds more than the prescribed number of meetings.)

Entry upon the final stage of the Common Market not only means confirming the irreversible nature of the work accomplished by the Communities, but also means paving the way for a united Europe capable of assuming its responsibilities in the world of tomorrow and of making a contribution commensurate with its traditions and its mission. Summit Communiqué, The Hague, December 1-2, 1969

The best known result of political concertation to date was the foreign ministers' November 6, 1973, resolution on the Middle East. The resolution supported the right of every state in the area to live in peace within secure and recognized boundaries and said that Israel should return to its pre-1967 borders. It was the first time the Nine had publicly taken a common position on a major world issue.

The foreign ministers have also taken joint stands on: the Conference on European Security and Cooperation, where the Commission participates in any discussion involving the Community treaties; on relations with the United States, and on issues debated in the United Nations.

At the October 19-20 Summit meeting in Paris, Community leaders said that Europe should make its voice heard in world affairs and contribute to worldwide stability during the current negotiations on

The heads of state or government, having set themselves the major objective of transforming, before the end of the present decade and with the fullest respect for the treaties already signed, the whole complex of the relations of member states into a European union, request the institutions of the Community to draw up a report on the subject before the end of 1975 for submission to a Summit conference. Summit Communiqué, Paris, October 19-20, 1972

The movement toward political unification was revived at this Summit meeting in December 1969 at the Knights' Hall, The Hague.

trade, defense, monetary affairs, and European security. They also asked their foreign ministers to report on ways of improving political cooperation.

This report, approved by the foreign ministers in July 1973, said that the flexible, pragmatic approach had been effective. Member states had introduced an original European technique into international relations.

To define their relations with other countries and their responsibilities in world affairs, Community leaders released a statement on "European identity" at their December 14-15, 1973, Summit in Copenhagen. In it, member states resolved to develop the political cooperation system further so that they could "tackle with confidence and realism further stages in the construction of a united Europe, thus making easier the proposed transformation of the whole complex of their relations into a European union."

The Europe of the Nine is aware that as it unites, it takes on new international obligations. European unification is not directed against anyone, nor is it inspired by a desire for power. On the contrary, the Nine are convinced that their union will benefit the whole international community since it will constitute an element of equilibrium and a basis for co-operation with all countries, whatever their size, culture, or social system. The Nine intend to play an active role in world affairs and thus to contribute, in accordance with the purposes and principles of the United Nations Charter, to insuring that international relations have a more just basis, that prosperity is more equitably shared, and that the security of each country is more effectively guaranteed. In pursuit of these objectives, the Nine should progressively define common positions in the sphere of foreign policy.
Summit Communiqué, Paris, December 14-15, 1973

Calendar of Events in European Unification

1946
September 19. Winston S. Churchill, in Zurich, Switzerland, urges Franco-German reconciliation within "a kind of United States of Europe."

1947
June 5. US Secretary of State George C. Marshall offers economic aid for a collective European recovery program.

1948
April 18. Treaty is signed in Paris creating the Organization for European Economic Cooperation (OEEC) for the joint administration of Marshall Plan aid.

1949
May 5. Council of Europe Statute signed.

1950
May 9. French Foreign Minister Robert Schuman makes proposal to place Europe's coal and steel economies under a common European authority.

1951
April 18. Treaty creating the European Coal and Steel Community (ECSC) signed in Paris.

1952
August 10. ECSC executive body, the High Authority, begins functioning in Luxembourg with Jean Monnet as its first President.

1953
February 10. Opening of ECSC common market for coal, iron ore, and scrap.
May 1. Opening of ECSC common market for steel.

1955
June 1-2. Messina Conference: Foreign ministers of the "Six" decide on further economic integration as the basis for future political unity.

1956
May 29. Venice Conference: Foreign ministers of the Six give go ahead for treaty-drafting conference.

1957
March 25. Rome Treaties creating the European Economic Community and the European Atomic Energy Community signed.

The "Schuman Declaration" of May 9, 1950, launched the first European Community, for coal and steel.

1958
January 1. Rome Treaties go into force. Walter Hallstein becomes EEC Commission's first President; Etienne Hirsch becomes Euratom Commission's first President.

1959
January 1. First EEC tariff reductions and quota enlargements.

1960
May 3. Convention creating the European Free Trade Association in force.

1961
July 9. Association agreement with Greece signed in Athens.
August 1. Ireland applies for Community membership.
August 10. Britain and Denmark request negotiations aimed at Community membership.
November 8. Negotiations on United Kingdom's possible membership open.
December 15. Three neutrals — Austria, Sweden, and Switzerland — apply for association with the Community.

1962
January 14. Community fixes basic features of common agricultural policy and enacts regulations for grains, pork, eggs and poultry, and fruit and vegetables.
April 30. Norway requests negotiations for Community membership.
July 30. First common agricultural policy regulations go into effect.

1963
January 14. French President Charles de Gaulle declares that Britain is not ready for Community membership, thus exercising a *de facto* veto.
January 22. Franco-German Treaty of Cooperation signed in Paris.
January 29. Negotiations between the Community and Britain break off.
September 12. Association agreement with Turkey signed in Ankara.
December 23. Common farm policy regulations agreed upon for rice, beef, and dairy products to take effect November 1, 1964.

1964
May 4. Kennedy Round of negotiations within the General Agreement on Tariffs and Trade (GATT) opens in Geneva.
June 1. First Yaoundé Convention in force associating 17 African states and Madagascar with the Community.
September 23. EEC Commission bans the Grundig-Consten exclusive sales agreement for violating competition rules.
November 30. Association with Turkey in effect.
December 15. Common grain prices adopted.

1965
March 31. Common Market Commission proposes that, as from July 1, 1967, all Community countries' import duties and levies be paid into Community budget and that powers of European Parliament be increased.
April 8. Six sign treaty merging Community executive institutions.

July 1. Council fails to reach agreement by deadline fixed on financing common farm policy; French boycott of Community's Council of Ministers begins seven-month crisis.

1966

January 29. Foreign ministers agree to resume full Community activity.
May 11. Council agrees that on July 1, 1968, all tariffs on trade between Member States shall be removed and that the common external tariff shall come into effect, thus completing the Community's customs union. It agrees also to complete common farm policy by same date.
July 24. Common prices for beef, milk, sugar, rice, oilseeds, and olive oil agreed by Council, enabling free trade in agricultural products by July 1, 1968.

1967

February 8-9. Council of Ministers accepts first five-year economic program and agrees to introduce a value-added turnover tax system in all six member countries.
May 10-11. Britain, Ireland, and Denmark formally apply for EC membership.
May 15. Kennedy Round ends in agreement to cut industrial tariffs by an average of 35-40 per cent.
July 1. Merger of Community's executive institutions. Achievement of free trade for grains, oilseeds, and products such as pork, eggs, and poultry whose production costs depend on grain prices.
July 28. Single market introduced for dairy and beef.
November 27. De Gaulle, in a news conference, objects to EC membership for United Kingdom.
December 19. Council reaches deadlock on UK and other membership applications.

1968

July 1. Customs union completed 18 months early. Remaining industrial tariffs between the Six abolished. Common external tariff operates around Common Market. Community makes first Kennedy Round tariff cuts.
July 18-19. Six adopt basic common transport policy regulations.
July 20. Community applies Article 108 (mutual aid) of the Rome Treaty for the first time. Community authorizes France to impose some quotas to overcome balance-of-payments difficulties.
July 26. Signing of association agreement with Kenya, Uganda, and Tanzania in Arusha, Tanzania.
July 29. Six decide to remove last remaining restrictions on free movement of workers and the last national discriminations between member states' workers in employment, pay, and other conditions.
December 9. Six adopt common foreign trade policy for most imports.
December 10. Announcement of "Agriculture 1980," a 10-year plan for modernizing farming.
Six agree on technological cooperation with other interested European states.
December 18. Commission submits guidelines for common energy policy.

1969

February 12. Commission urges Six to coordinate economic and monetary policies more closely and advocates creation of a joint mutual aid system to help member countries in balance-of-payments difficulties.
March 25. Six adopt program to align legislation on technical standards for industrial goods and food.
April 25. Commission draft 1970-74 Euratom program urges Six to let Euratom extend its activities to non-nuclear scientific research.
May 31. Yaoundé Convention expires.
July 16. Commission proposal for financing Community activities from own resources by 1974 and for increasing the European Parliament's budgetary powers.
July 17. Six agree to principle of short-term mutual monetary aid system and decide to hold prior consultations on proposed major short-term economic policy measures.
July 29. Second Yaoundé Convention signed.
September 1. Community agreements with Morocco and Tunisia in effect.
September 24. Kenya, Uganda, and Tanzania renew association agreement with EEC.
September 29. Germany "floats" the D-mark.
October 15. Commission proposals to harmonize national regional policies and to create an interest rebate fund for, and permanent committee on, regional development.
December 1-2. The Hague Summit meeting: agreement to complete, enlarge, and strengthen the Community.
December 6. Six agree to reorganize Euratom.
December 19-22. Marathon Council session agrees on permanent arrangements for financing common farm policy, providing the Community with its own resources from 1978, and strengthening the European Parliament's budgetary powers.
December 31. Community's 12-year transition period ends.

1970

January 1. Common foreign trade policy comes into operation.
January 26. Six agree on steps to define medium-term economic policies jointly and to create short-term mutual-aid system.
February 9. Community central banks activate $2 billion short-term mutual monetary aid system.
March 4. Commission submits three stage plan for full monetary and economic union by 1980.
March 19. Trade agreement signed with Yugoslavia.
March 21. Commission outlines steps needed for common industrial policy.
May 1. Association with Yugoslavia in effect.
June 9. Six set 1980 as target-date for monetary and economic union.
June 24. Commission calls for European company statute.
June 30. Membership negotiations open in Luxembourg between the Six and Britain, Denmark, Ireland, and Norway.
July 1. Commission reduced from 14 to nine members; Franco-Maria Malfatti succeeds Jean Ray as President.
July 27. Six agree to increase European Social Fund's powers to retrain and resettle workers.
July 31. Six agree on twice yearly ministerial meetings on political cooperation.
October 1. Trade agreements with Israel and Spain come into force.
November 19. Foreign ministers of the Six meet for the first time, in Munich, Germany, to concert their views on foreign policy.

1971

January 1. Second Yaoundé and Arusha Conventions come into force. Community's "own revenue" system comes into operation.
February 1. Common fisheries policy takes effect.
February 9. Six launch three-stage 10-year plan for full economic and monetary union.
March 24. Six take first steps to carry out Mansholt Plan to modernize farming.
April 1. Association with Malta in effect.
July 1. EC introduces generalized tariff preferences for 91 developing countries.
August 15. United States imposes temporary 10 per cent surcharge on imports and suspends convertability of dollars into gold.
October 28. House of Commons accepts principle of entry into Community by 356 votes to 244.

Prime Minister Edward Heath signs the treaty by which Britain became a member of the European Community. He is flanked by his Minister for European Affairs Geoffrey Rippon (right) and Foreign Secretary Alec Douglas-Home.

1972

January 22. "Ten" sign Accession Treaty.
March 20. Leonid Brezhnev, First Secretary of Soviet Communist Party, "recognizes existence" and development of Community.
March 21. Six relaunch economic and monetary union.
March 22. Sicco L. Mansholt becomes Commission President.
April 17. Council issues directives on farm modernization measures.
April 19. Six sign agreement for European University Institute in Florence, Italy.
April 23. French electorate, voting in a referendum, approves Community's enlargement.
May 10. In referendum, large majority of Irish electorate votes for Community membership. Association agreement signed with Mauritius.
May 31. Commission proposals for a common policy for scientific research and technological development.
June 23. Britain "floats" the pound. UK, Ireland, and Denmark temporarily withdraw from EEC agreement to maintain narrow margins of currency fluctuation.
July 14. Court upholds Commission's fines of 10 chemical firms for fixing price of aniline dyestuffs.
July 22. Community signs free trade agreements with Austria, Iceland, Portugal, Sweden, and Switzerland.
September 26. Norwegian entry to Community is rejected by referendum.
October 2. Danish electorate approves Community membership by referendum.
October 19-20. Community leaders at a Summit meeting in Paris decide on a timetable for the Community's work.
December 18. Trade agreements with Egypt and Lebanon signed.
December 18. Association with Lebanon in effect.
December 19. Association agreement with Cyprus signed.

1973

January 1. Britain, Ireland, and Denmark join the Community.
January 6. Thirteen-member Commission, headed by François-Xavier Ortoli, takes office.
February 1. Convention making civil and commercial judgements enforceable throughout the original six Community members comes into force.
February 6. Council adopts long-term Euratom program.
February 21. Court upholds Continental Can's appeal against Commission ruling that it abused its "dominant position" in Common Market, but supports Commission's contention that EEC Treaty empowers it to control mergers and monopolies.
March 12. Community currencies (except those of Britain, Ireland, and Italy) float jointly within "snake" against dollar.
April 2. Trade agreement signed with Uruguay.
April 6. European Monetary Cooperation Fund set up in Brussels.
May 1. Community opens office to help small firms cooperate.
May 14. Community signs free trade agreement with Norway.
May 23. Association with Cyprus in effect.
July 3. European Conference on Security and Cooperation opens in Helsinki.
July 19-20. At first Council session on environmental questions Nine agree on guiding principles.
September 1. Trade agreement with Yugoslavia in effect.
September 12. GATT world trade talks open in Tokyo.
October 5. Twenty-one countries endorse European Patent Convention.
October 17. Community opens negotiations with associated and "associable" developing countries.
October 22-26. Commission holds first public hearings on mutual recognition of diplomas for medical profession.
November 1. Association with Egypt in force.
November 6. Community foreign ministers issue joint declaration on the Middle East.
December 14-15. Community Summit in Copenhagen adopts statement on Europe's identity.
December 17. Trade agreement signed with India.
December 19. Trade agreement signed with Brazil.

1974

February 11-13. The Community attends the first Washington Energy Conference. France refuses to endorse the conference conclusions.

Glossary

CAP. Abbreviation for the EC's common agricultural policy, which is designed to rationalize agricultural production and establish a Community-wide system of supports and import controls. It now covers over 95 per cent of the Community's agricultural production.

COMECON. Council for Mutual Economic Assistance. Members are the Soviet Union, Czechoslovakia, Poland, East Germany, Hungary, Romania, Bulgaria, and Outer Mongolia.

COMMUNITY OF SIX. European Communities. See EC below.

COMMUNITY OF NINE. The six founding members and the three new members, the United Kingdom, Ireland, and Denmark. See EC, below.

COMMON MARKET. Popular name for the European Economic Community. See EC below.

CUSTOMS UNION. Group of countries that eliminates tariffs on trade between its members and adopts a common tariff on imports from the rest of the world.

DAC. Development Assistance Committee of the Organization for Economic Cooperation and Development.

EAGGF. European Agricultural Guidance and Guarantee Fund (page 9).

ECSC. European Coal and Steel Community. See EC below.

EEC. European Economic Community. See EC below.

EC. European Community or European Communities. The collective name for the European Coal and Steel Community, the European Economic Community, and the European Atomic Energy Community. Founding members were Belgium, France, Italy, Germany, the Netherlands, and Luxembourg. The United Kingdom, Ireland, and Denmark joined on January 1, 1973.

EDF. European Development Fund (page 24).

EFTA. European Free Trade Association. Members are Norway, Sweden, Switzerland, Austria, Portugal, and Iceland. Denmark and the United Kingdom withdrew after deciding to join the Community.

EIB. European Investment Bank (pages 15, 24).

FREE TRADE AREA. Group of countries that eliminates tariffs on trade between its members but which does not adopt a common tariff on imports from the rest of the world.

GATT. General Agreement on Tariffs and Trade. An international accord signed in 1948 to foster growth of world trade. Provides a forum for multilateral tariff negotiations and, through semiannual meetings, a means for settling trade disputes and for discussing international trade problems. Has more than 80 members.

GNP. Gross national product, usually defined as the sum total of goods and services produced in an economy and net foreign investments. This term is not to be confused with gross domestic product which is the sum total of final goods and services, excluding intermediary production, produced within national borders, plus import taxes.

IMF. International Monetary Fund.

KENNEDY ROUND. Trade negotiations which took place in the GATT from 1964 to 1967. The impetus for the negotiations and US participation were made possible by the passage of the 1962 Trade Expansion Act. Resulted in lowering duties by some 35-40 per cent in industrial products, and somewhat less in agriculture, through agreements covering some $40 billion in world trade.

MFN. Most-favored-nation. The policy of non-discrimination in international trade which provides to all nations the same customs and tariff treatment as given the so-called "most-favored-nation."

NTB'S. Nontariff barriers. Provisions such as quotas, import regulations, buying policies, and freight rate differentials which restrict the flow of goods by means other than tariffs.

OECD. Organization for Economic Cooperation and Development.

UA. Unit of account. One unit of account equals one 1970 US dollar, 1.0857 1972 dollars, or 1.20635 1973 dollars. Units of account are the Community's basic accounting unit. They are defined in terms of the gold weight of a 1970 dollar. The Community did not change its definition after the US devaluations.

UNCTAD. United Nations Conference on Trade and Development.

VAT. Value added tax. An indirect tax which has the effect of a retail sales tax. Tax is collected on the value added to a product at each stage that the product passes before reaching the consumer.

YAOUNDE CONVENTION. Convention joining the Community to Madagascar and 18 African States which are former colonies of Community member states.

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League of Women Voters Education Fund

INTERNATIONAL RELATIONS
W R A P - U P

January, 1974

DEVELOPMENT ASSISTANCE

Foreign Assistance Act of 1973

In December 1973, the President signed into law the Foreign Assistance Act of 1973, a bill which the New York Times called "the most promising innovation in foreign aid since President Truman enunciated "Point Four" for the world's needy in his 1948 inaugural." The new legislation seeks a restructuring of the entire U.S. bilateral development assistance program by redirecting aid funds from big industrial and capital development projects to the "poorest majority" in the developing countries. To do this, Congress authorized close to $1.5 billion for economic assistance to the developing nations in FY 1974 (including $500 million for postwar reconstruction in South Vietnam, Laos and Cambodia) and about $900 million for development aid in FY 1975. The legislation also authorizes $900 million for military assistance in FY 1974. Military assistance is administered separately from development aid but the two programs are considered in the same legislative package.

To accomplish the goal of changing the focus of the aid program, the legislation calls for an increase in the channeling of aid through private organizations, and more participation and cost-sharing by host countries. It directs that development assistance funds be used for five specific purposes: 1) Food production and nutrition; 2) Population planning and health; 3) Human resources development (including education); 4) Programs for selected development problems (like transportation, power, urban development); and 5) Programs for selected countries and organizations (like credit unions, voluntary associations, OAS).

The Administration had proposed major reforms in the foreign aid program in earlier years and actively supported the committee's reform proposals, but as originally submitted, this year's bill would have continued past patterns of foreign assistance. The House Foreign Affairs Committee, however, was disturbed by some aspects of the 25 year old foreign assistance program. While acknowledging that as a result of past programs, many developing countries had enjoyed rapid economic growth (in the past decade, manufacturing output has increased by 90% and food production by one-third), the committee was concerned that these gains had not been passed on fast enough to the lowest-income people living in the developing nations. Specifically, the committee report noted that population growth had overwhelmed economic gains and unemployment and underemployment rates were as high as 30%. Rudimentary health care remains unavailable to the vast majority of the world's peoples, per capita food production is only slightly higher now than it was a decade ago, and there are no schools or teachers for 300 million children. All of these facts moved the "Young Turks" on the committee to seek basic change in the planning and operation of the bilateral assistance program but did not engender support for significantly higher spending levels.

Despite the fact that the new legislation does not call for major increases in the funding level of foreign assistance, the bill came very close to defeat in both Houses of Congress, with some of the traditional supporters of foreign aid voting against the proposal out of disillusionment with the effectiveness of past programs. The final conference report passed the Senate by only 3 votes, with "liberals" like McGovern, Church and Cranston voting against, and "conservatives" like Hruska and Cotton voting for. There is little doubt that votes on both sides were influenced by the military aid authorization included in the bill.

The new law does not include authority for the Export Development Credit Fund, a program proposed by the House Foreign Affairs Committee to provide low-interest credits to poor countries for the purchase of development related goods and services. This provision was deleted by House floor action and by the Finance Committee in the Senate.

Also included in the legislation were amendments calling for the increased participation of women in the economies of the developing countries and prohibition on the use of aid funds to pay for abortions and police training overseas. Some other provisions:
- $25 million for relief of drought victims in the African Sahel.
- Hickenlooper amendment prohibiting aid to a country that expropriates American property without compensation is retained, but the President now has the right to waive it.
- U.S. should actively participate in efforts to alleviate world food shortages.

On January 3, 1974 the President signed the appropriations legislation funding the new law. The appropriations act provided less monies than authorized in the Foreign Assistance Act for Indochina reconstruction and for all of the new aid categories.

United Nations: The Foreign Assistance Act authorized a $127.8 million voluntary contribution to UN agencies (including $90 million for UNDP), and the appropriations legislation provided the necessary funding for FY 1974. New appropriations will be necessary for our voluntary contributions for FY 1975. U.S. assessed contributions for FY 1974 will be authorized and appropriated separately in the second session of Congress.

Development Banks: The U.S. is still behind in its promised contributions to the development banks, although the FY 1974 foreign assistance appropriations act provides $320 million to meet our ongoing commitments to the International Development Association (IDA), $418 million for the Inter-American Development Bank, and $25 million for the Asian Development Bank. These appropriations will go to meet pledges the U.S. has already made to the development institutions.

Authorization will be requested in the next session for a new $1.5 billion contribution to be made over a three-year period to IDA, (the part of the World Bank that gives loans and technical assistance to very poor countries at highly concessionary rates) and $412 million for the Asian Development Bank. This legislation is now being considered in the House Banking and Currency Committee and the Senate Committee on Foreign Relations.

A Guide for Future Reference

"Complicated" is the only way to describe the Congressional system for authorizing and appropriating funds for foreign assistance. Authorization and appropriations bills are always handled separately, with authorization bills theoretically preceding appropriations on the legislative calendar. From the observer's vantage point, there seems to be an endless progression of "foreign aid" bills, but it is sometimes hard to determine what part of the foreign aid program is at stake in a particular piece of legislation. Some hints to guide you:

BILATERAL FOREIGN AID: Authorized (usually for 2 years) in the general foreign assistance legislation which goes to the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations. Appropriations are made annually and go to the House and Senate Appropriations Committees.

UNITED NATIONS LEGISLATION: Assessed funds (think of these as dues) are the contributions we are obligated to make to support the operations of the UN. All member nations are assessed at a certain percent of the total UN operating budget. The U.S. assessment is now set at 25%.

Assessed funds are authorized and appropriated annually. Authorizations are in the State Department authorizing legislation and are referred to the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations. Appropriations are in the State Department Appropriations bill and are referred to the House and Senate Appropriations Committees.

Voluntary contributions (to UNDP, UNICEF, etc.) are usually authorized for two years in the same package as bilateral foreign aid programs, e.g., the Foreign Assistance Act of 1973. Appropriations are required annually. They follow the same legislative path as bilateral aid.

INTERNATIONAL BANK LEGISLATION: The United States participates in three international banks, the International Bank for Reconstruction and Development and its affiliate, the International Development Association, the Asian Development Bank, the Inter-American Development Bank. Authorization for contributions to these institutions is requested only every few years (for example, the upcoming IDA replenishment authorization would be good for 3 years) and is referred to the House Banking and Currency Committee's Subcommittee on International Finance and the Senate Foreign Relations Committee. Annual appropriations to meet the commitments are included in the regular foreign assistance legislation and are referred to the House and Senate Appropriations Committees.

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TESTIMONY BEFORE THE SENATE COMMITTEE ON FINANCE
ON THE TRADE REFORM ACT OF 1973

by
Lucy Wilson Benson, President

Mr. Chairman, members of the committee, I represent the League of Women Voters of the United States, a volunteer citizens' organization of 1,350 Leagues with approximately 150,000 members in the 50 states, the District of Columbia, Puerto Rico and the Virgin Islands. League members have recently reaffirmed their long-standing support for liberal trade policies after examining those policies in the context of current economic developments. I am pleased to have this opportunity to present the views of our members as they bear on major issues of trade policy now being considered by this committee.

There is a great deal of rhetoric these days about the dire problems we face and about the urgency of international cooperation. What appears in public statements, however, is not always translated into public policy. When the chips are down, many countries -- including the United States -- seem ready to turn inward and threaten to go it alone. The unilateral imposition of export controls last summer, the rise in protectionist sentiment, the refusal to contribute funds to a multilateral development association -- these are all bricks in the wall we are building around ourselves. We realize that other countries are taking similar action but other countries are not the world's leading power.

There is no doubt that the U.S. is better equipped to be self-reliant than other countries. But for how long and at what price? The alternative to international cooperation is a world of trade wars, economic blackmail, and frantic hoarding of resources. I am here today in support of a trade bill which will permit the U.S to negotiate with other countries, in a multilateral framework, for a more open and fairer system of international trade.

The League testified ten months ago in general support of the Trade Reform Act. We also commented on some aspects of the bill which were of concern to League members and recommended changes in several provisions. On the whole, we were satisfied that the bill, HR 10710, which emerged from the Ways and Means Committee and was passed by the House incorporated many of our recommendations. We think it is a sound bill, far from obsolete, and even more necessary today than it was in April 1973 when it was introduced.

I would now like to point out some of the positive features of this bill and also comment on selected provisions which are still in need of revision.

TRADE NEGOTIATING AUTHORITY

The League supports the systematic reduction of tariff and nontariff barriers through multilateral negotiations. The Trade Reform Act would authorize the President to enter into trade negotiations for a period of five years and, pursuant to trade agreements, to increase or decrease tariffs. This grant of authority is extensive, but not unlimited.

The League thought that the original Administration request in HR 6767 was excessive. But we disagree with those who, in response to Watergate, want to deny this Administration the necessarily broad authority which the Executive must have in trade matters. The bill passed by the House, HR 10710, recognizes the need for broad authority to ensure negotiating flexibility. At the same time, it carefully checks Presidential actions by setting limits on the power to raise or lower tariffs.

The bill provides that, in international trade agreements the President can reduce tariffs by (a) 60% for tariffs between 5% and 25%; (b) 75% for tariffs over 25%; and (c) eliminate tariffs of 5% or less. The President can increase tariffs to a level 50% above the rate existing on July 1, 1934 or 20% ad valorem above the existing rate, whichever is higher. In response to the criticism that the latter provision is still excessive, we want to point out that the increases could be made only pursuant to trade agreements and could not be used to raise tariffs across-the-board.

More important checks on Presidential actions are the procedures in HR 10710 for Congressional consultation, surveillance and veto. For example, Section 102(f) subjects nontariff barrier agreements to a 90-day Congressional veto. Section 123(d) requires the President to notify Congress when he suspends import barriers in order to restrain inflation. Chapter 5 contains procedures for Congressional resolutions to disapprove a trade agreement. And Chapter 6 provides for Congressional delegations to negotiations. Our support for these provisions is consistent with our efforts to strengthen the role of Congress vis-a-vis the executive.

CONSUMER INTERESTS

The League is convinced that the public interest is best served by a trade policy which promotes the freest possible exchange of goods and ideas across national borders. A liberal trade policy brings benefits to consumers by increasing their choice of products and prices. To the extent that they are cheaper they stimulate the economy by increasing the disposable income consumers have to spend on other products. Imports also supply products not produced in the United States and supplement materials in short supply. Finally, import competition serves as an incentive to efficiency and productivity in domestic industry. As Congressman Charles W. Whalen, Jr. noted in a speech last December, "Trade barriers diminish the welfare of all the people . . . . Trade barriers are an anachronism in this Age of the Common Man."

The League is pleased to see numberous provisions in HR 10710 relating to consumer interests. The most important of these provisions is, of course, Section 123 which authorizes the suspension of import barriers to restrain inflation. The League's interest in international trade grew out of a consumer study League members undertook in the 1920's. Their conclusion -- that import competition serves a valuable function in combatting inflation -- was a factor in moving the League to speak out for liberal trade policies ever since. Now, when the consumer is strapped with high prices and a shortage of many products and materials, Section 123 is an appropriate addition to Presidential authority.

Other provisions relating to consumer interest in Title I include:

Sec. 131(b) Requires the Tariff Commission to advise the President as to the probable economic effect of modifications of duties on, <u>inter alia</u>, consumers.

Sec. 131(c) Requires the Tariff Commission to include in its report to the President its advice on the probable economic effects of modifications of NTBs on <u>purchasers</u>.

Sec. 131(d)(4) Authorizes special studies to include descriptions of impacts of modifications of trade restrictions on consumers.

Sec. 135(b)(1) Establishes an Advisory Committee for Trade Negotiations which is to include individuals representing consumer interests.

Sec. 135(i) Requires the President to provide continuing opportunities tfor private organizations to give information and advice on trade negotiations.

Perhaps not all of these provisions will be taken equally seriously. There are indications that at least one of them -- Section 135(b)(1) -- may not be. Although there has already been extensive consultation with business on the proposed negotiations, there has been no attempt to seek information and advice from consumer interests or the general public. The vehicle for consumer consultation, the Advisory Committee for Trade Negotiations, is thus far, a purely cosmetic feature of the trade bill. Meanwhile, consumers -- the fictitious Jane and John Doe -- continue to be neglected. With few organizations to speak in their behalf, they are either stepped on or sidestepped. This is unfortunately the case in spite of the fact that the ultimate reason for trade, for all economic activity, is to bring benefits to people. We hope this committee will plead the case for the consumer and press the Administration to abandon the traditional policy of not-even-benign neglect.

In Title II, consumer interests are taken into account in two provisions:

Sec. 202(c)(4) Requires President, in determining whether to provide import relief, to take into account the effect of import relief on consumers.

Sec. 203(g) Requires President before providing import relief to notify persons potentially adversely affected and to hold public hearings.

In Title V, dealing with generalized tariff preferences, the President is given complete freedom to withdraw, suspend or limit the application of duty-free treatment with respect to any article or any country. To protect domestic producers and consumers, we recommend that a provision be included requiring the President to hold public hearings before he takes such action.

ADJUSTMENT POLICIES

Import Relief

We recognize that a trade policy which benefits most people may injure some. As a result of a recent trade study, the League modified its long-standing opposition to the use of trade restrictions to protect industries adversely affected by import competition. We accept the need for temporary relief but we want to emphasize that import relief should be granted only under exceptional conditions. While the criteria for import relief in current law may be too rigid, we fear that the criteria in the Trade Reform Act may be too loose.

Under current law, the criterion for determining injury is the so-called "Double major." To qualify for relief, an industry must show that the major cause of increased imports is past tariff concessions and that the major cause of injury is an increase in imports. The Trade Reform Act proposes to revise these criteria by dropping the link between increased imports and trade agreement concessions; and by requiring that increased imports be a substantial cause of injury, a less severe test.

We are aware of the pressures which led to the liberalization of the escape clause, but we feel that the language of HR 10710 has gone too far in accommodating these pressures. Import relief to any industry in the form of tariffs, quotas, tariff-rate quotas and orderly marketing agreements imposes a great burden on the consumer. The test for import relief should be drawn so that this burden is imposed only in cases of severe injury. We think that adequate access to import relief would be assured with the elimination of the causal link between increased imports and tariff concessions and do not think there is a need to go beyond that.

Adjustment Assistance

The most sensible and humane alternative to trade restrictions is a reasonable program of adjustment assistance for workers and firms. I know the word "reasonable" means different things to different people. The Administration's original proposal in HR 6767 was criticized for being inadequate by most groups testifying before the Ways and Means Committee. The program proposed in HR 10710 is considered unreasonable by the United Auto Workers -- a union which has not yet abandoned efforts to improve the program as an alternative to protectionism. More extensive programs are considered unreasonable by those who fear the high cost.

The League urges the Senate Finance Committee, as it examines various proposals which have been or will be made, to make generosity the central concept in its definition of what is reasonable -- not only because it is right, but because that is what will make the program work. We have been generous with cotton growers, sugar producers and oil companies in the hidden costs we have paid for trade restrictions. We can afford to be more generous with workers. The adjustment assistance program in HR 10710 is estimated to cost $350 million the first year -- a small sum compared to what consumers now pay for tariffs and other restrictions each year.

The League supported the adjustment assistance provisions in HR 10710 because they were an improvement over current law. But I think we can do even better. The eligibility requirement to make access to benefits easier was an important change. We would prefer higher weekly allowances than the percentage established in the Trade Reform Act, but are aware of the political obstacles in a budget-minded Congress. We do think, however, that the committee could make some changes in the program benefits.

The provisions for training are still inadequate. There is no reason why allowances should not be paid for the entire period of training instead of an arbitrary cut-off of 26 weeks after the 52 week time limit. Supplemental assistance is provided to defray transportation and subsistence costs when training is provided in facilities not within commuting distance. The amounts provided -- $5/day and 10¢/mile -- are identical to the amounts in the Trade Expansion Act enacted 12 years ago. In face of the rising cost of living and with gas costing more than 50¢ a gallon, surely this is an unreasonable proposal.

The relocation allowance is also inadequate. HR 10710 would grant 80% of the expenses of relocation plus a lump sum equivalent to three times the worker's average weekly wage up to a maximum of $500. In a mobile society such as ours, losing one's job and becoming uprooted is a painful process. We agree with the UAW that incentives for relocation must be increased and that providing reimbursement for "community prospecting" would contribute to the program's success.

The relocation allowance provisions also specify that such allowance shall not be granted to more than one member of the family. The explanation for this provision is not logic but sexist. If husband and wife are both working -- and two-thirds of the women in the labor force work because they have to -- then both pay a price when one of them is forced to relocate. And if both become unemployed because of import competition, if both have to relocate, both should be compensated. There is no rationale here for talking about family units rather than individuals.

RELIEF FROM UNFAIR TRADE PRACTICES

Title III provides for several changes in statutes to give U.S. industry relief from unfair foreign trade practices. Mainly, these involve strengthening the President's authority to retaliate against unjustifiable and unreasonable foreign restraints on U.S. trade, imposing time limits on investigations under antidumping and countervailing duty laws, and clarifying the definitions of various terms and criteria in U.S. trade laws. In general, we support the notion of making our trade laws work more effectively and fairly and believe the changes recommended by the House are reasonable.

We are, however, concerned about an amendment to the countervailing duty law which would give the Secretary of the Treasury discretion to refrain from imposing countervailing duties for only one year from the date of enactment of the Trade Reform Act on imports subsidized by facilities owned or controlled by governments of developed countries. Limiting U.S. discretion to refrain from imposing countervailing duties unilaterally for only one year, while negotiations presumably were underway to work out an international agreement, is unwise and unnecessary. We recommend that the one-year provision be deleted and that the Secretary of the Treasury have the full four years in which to complete the negotiations.

The question in international trade no longer is whether it should be subsidized -- all countries do, including the United States -- but which subsidies should be permitted or prohibited under international rules. The League strongly supports the idea of negotiating an international code on subsidies that would define what should and should not be permissable. Otherwise we might find ourselves in a subsidy race that could touch off another trade war.

EAST-WEST TRADE

Title IV would make the extension of nondiscriminatory tariff treatment to nonmarket economy countries contingent on changes in their emigration policy. The proponents of this title tell us that it is a means to the realization of high humanitarian principles; the opponents tell us that it places world peace in jeopardy. We do not know if these provisions will accomplish all that the proponents would wish or have all the consequences the opponents fear. We do know that there has been little rational debate over this issue and that the fate of the trade bill hangs in the balance.

The League's position on this issue must be stated in two parts: 1) In accordance with our liberal trade position we have, since 1965, favored the expansion of East-West trade, including nondiscriminatory tariff treatment. 2) We have not abandoned this position, but neither have we been dogmatic in promoting it. In the House, we supported the trade bill as reported by House Ways and Means, including Title IV. Similarly, in the Senate, our focus will be on the entire trade bill and we would oppose a veto of the bill. We do, however, urge Congress and the Administration to continue the dialogue and work toward a compromise which reflects the profound concerns of both sides.

SHORT SUPPLY PROBLEMS AND THE DEVELOPING COUNTRIES

In the past few months, we have all become aware of a new dimension of international trade policy -- the problem of supply shortages and the need to assure fair access to supplies of food and raw materials. The recent oil embargo demonstrated that every nation is a potential "have not" and that interdependence is, therefore, a fact of life.

It is clear that we need policies to deal with similar situations in the future. For one thing, we must learn to conserve and manage our domestic resources better. For another, we need to develop international rules to assure nondiscriminatory access to scarce raw materials. The trade bill should include provisions which address this problem in two ways: 1) by making supply access one of the major goals of trade negotiations; and 2) by directing the President to seek international agreement on new rules governing supply access.

More important than these specific proposals is the need to reevaluate our policies toward the less-developed countries (LDC's). The negotiation of international rules on supply access will be of limited value unless the producing countries, which are primarily LDC's, have a stake in playing by those rules. The United States can help give them that stake by using its trade and aid policies to bridge the gap between rich and poor nations.

As a step in that direction, we support the provisions of Title V which would give the President authority to extend duty-free treatment to imports from the less-developed countries. In an interdependent world, it is in our national interest to fulfill this international obligation.

Thank you for this opportunity to present our views. The League is prepared to work with you for enactment of this important legislation.

June 11, 1976 JUN 14 1976

Add to Agenda: Action

To: All Board Members
From: Davies
Subject: World Trade Week

Motion: that LWVMN endorse the establishment of a non-profit corporation for the purpose of implementing World Trade Week and that LWVMN take responsibility for some event on the program (May 1977).

Background information: Pat Llona, Edina, took part in this year's observance of World Trade Week and felt the League was very well received. She is meeting with a group wh ch will plan next year's events. The planning group would like to set up a non-profit corporation for the purpose of implementing world trade week so that planning can be done in advance and prominent speakers secured. Those associated with the planning this year felt this to be a necessity.

LWVMN has also been asked if we would like to set up an event.... speaker, panel, breakfast or luncheon meeting, etc.....as part of next year's world trade week program. It seems like an ideal opportunity for League to act on our trade position, be visible in the state, and be sure the program is well-balanced. (Pat also attended the seminars on multinationals we co-sponsored this winter and was most concerned about our "sponsoring" a program which she found was not balanced. She suggested that if we agree to co-sponsor we have a person with expertise involved in part of the planning or at least overseeing, or else we should not lend our name. In this particular instance she felt the intent was a blanced program, but that it didn't come off.)

Pat Llona has sent me a 5-page report on the week of trade meetings, some of which could perhaps be used in the Voter.

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HISTORY OF THE ARAB BOYCOTT

To: I. R. Chairpeople
From: Pat Llona, State I.R. Chair
Date: August 15, 1977

(A condensation of some of the wording in several handouts at the World Trade Conference May, 1977, in Minneapolis, as well as the Congressional Quarterly, Inc., June 18, 1977.)

The Arab Boycott is thirty years old. It was begun two years before the creation of Israel, when the Arab League declared in 1946: "Products of Palestinian Jews are to be considered undesirable in Arab countries." The Arab League, set up in 1945 to promote Arab economic and political cooperation, is a loose assemblage of 20 countries: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Mauritania, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen and Peoples Republic of Yemen. In 1948 the Boycott Office of the Arab League was established.

The Central office for the Boycott of Israel is located in Damascus, Syria. In turn, each country has its own Boycott office; and other League offices throughout the world gather information and deal with companies trying to get off or stay off the blacklist. Being blacklisted results in restrictions on doing business in the Arab League countries. The Arab League was considering exemptions of companies whose investment in Arab lands exceeds their stake in Israel. There is such confusion because of the exchange of information among Arab countries that a list may be outdated by the time it's distributed, says Mr. Mohammed Mahmoud Mahgoub, Commissioner General of the Boycott office. The Palestine Liberation Organization has specialists which cull all Israeli news publications to gain information on companies that might be helping Israel. The decisions of the Boycott office are forwarded to member states to act on them as they see fit. The Blacklist (current, May, 1977) contains 1,800 names. It is not official, and there could be as many as 21 authentic lists.....those of each country and the Arab League's. The Arab League observer at the U.N. says corporations are always notified of the violations and given ample time to reply. They're blacklisted if they fail to answer or cease a violation.

The Boycott operates on two levels, a primary and a secondary. The primary forbids direct trade between Israel and Arab states but is not leakproof, since farm products cross the frontier between Israel and Jordan. The secondary boycott is the one causing international storm. Its intent is to bar from the Arab world those companies which have contributed materially to the strength of Israel. Examples: establishing a plant in Israel, formation of a partnership with an Israeli firm, calling on Arab and Israeli ports on same voyage, and other more vague definitions. The general chaos of the Boycott reveals exceptions to the rules to serve some higher interest. An example would be American defense industriy companies, and many prominent U.S. firms operating in both Arab countries and Israel.

U.S. taxpayers which comply with international boycott activities are denied certain U.S. tax benefits, and each firm must report any operation with any country on the U.S. "Boycott List." American firms are also required to report prohibitive statements in documents and invoices immediately. A bill containing the 1977 amendments to the Export Administration Act of 1969 contains a preemption clause superceding all the recent state laws passed regarding boycott activity. The Export Administration Act of 1969 which had expired on September 30, 1976, was amended on June 10, 1977, and extended to September, 1979. The long delay in passing HR 5840 was because of the Arab Boycott provisions which took a long time to negotiate. The problem was not of any disagreement over the anti-

(Over)

boycott principle but in the exceptions and qualifications sought in order to satisfy both U.S. business interests and Jewish organizations and business leaders.

In contracts with Arab countries provisions are inserted that the contractor will comply with Arab laws. If a company can't perform because of the Arab Boycott requirements, assets of the firm are subject to attachment in the boycotting country. Criminal prosecution is possible if a person is taken into custody in an Arab country, usually because performance was completed in violation of the Boycott.

There seems to be a distinction in US/Arab contractual wording which states actual provisions of compliance with the boycott as compared to contractual wording which does not spell it out but does result in participation in boycott activities. In one case, the contract makes the U.S. firm subject to U.S. government penalties, and in the other, it doesn't.

Contradictions in international law make legality of the Boycott uncertain. The United Nations recognizes the exclusive control of a nation over its own wealth and resources. In controlling trade, it can reward friends and punish enemies. But the Arab Boycott is challenged because it reflects racial discrimination, a practice condemned by the U.N.

The complications for U.S. firms with international involvement are numerous, and much time and effort is needed to insure compliance with all U.S. regulatory demands. The weights of these demands is felt most acutely by smaller firms with less personnel to deal with them.

FEB 27 1978

League of Women Voters of the United States 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 296-1770

memorandum

This is going on DPM
February 10, 1978

TO: State and local League presidents (attn: IR chairmen)
FROM: Ruth Robbins
RE: Enclosed international relations materials

** The new LWVEF CURRENT FOCUS, Continuing Crisis in Trade (pub # 123, 50¢) explores the broad range of current trade issues that are very much in the news headlines. It updates and replaces the five year old FACTS AND ISSUES, The Trouble with Trade. As the IR COMMITTEE GUIDE noted, "combatting the rising pressures for protectionism" is a major international relations focus for this year, and the Board selected trade as an issue for "serious" action efforts (See January, 1978 Nat'l Board Report). The Continuing Crisis in Trade should serve as an important resource for IR committee members, other interested Leaguers and the general public.

I am also glad to announce the formation of a new ally in our fight for liberal trade policies. Consumers for World Trade is a membership organization that will represent the consumer point of view in world trade issues. Although consumers have a real stake in the removal of trade barriers that contribute to higher prices, the consumer's voice has been heard too rarely in trade debates. Consumers for World Trade (CWT) plans to lobby against protectionist measures and for vigorous enforcement of laws against unfair foreign trade practices, for effective trade adjustment assistance and for expanded world trade.

We are sending state League presidents a small supply of "Who Looks Out for You, the Consumer?" a brochure describing CWT and telling how citizens can join and receive the monthly newsletter for $10 annual dues. Free copies of the brochure are available in quantity from: Consumers for World Trade, Dupont Circle Building, Rm. 425A, 1346 Connecticut Ave. N.W., Washington, D.C. 20036.

** This year's memo "wrapping-up" the General Assembly was written by the League's new UN observer Edith Segall. The Wrap-Up gives an excellent overview of the major actions taken by the 32nd General Assembly session. Although this session didn't make any headlines, as the memo notes, it was significant that the session managed to avoid divisive confrontation that could have hurt efforts to solve problems in the Middle East and Southern Africa that were taking place outside the Assembly.

** Also enclosed is a memo from me describing the three week trip Ruth Hinerfeld and I were privileged to take to India and Sri Lanka. Paid for by the Charles F. Kettering Foundation, and organized by the Overseas Development Council as part of their Transnational Dialogues project, the trip was designed to give us the chance to explore the problems of economic development first-hand. I hope my memo gives you a flavor of the insights we gained that are highly salient to the League's long-standing development position.

** Finally, the enclosed pamphlets, I Want to See 2000 and Highlights of Prosperity Without Guns are part of the Operation Turning Point (OTP) project, jointly sponsored by the Institute for World Order (IWO) and the United Nations Association (who are covering the costs of our mailing the pamphlets to you). OTP is designed to increase public understanding of the issues involved in the United Nations Special Session on Disarmament, to be held during May and June of this year.

I Want to See 2000 describes Operation Turning Point and includes an order form for OTP materials. (IWO has already sent a sample copy of the leadership kit to state League presidents.) Highlights of Prosperity Without Guns summarizes some of the major points Betty Goetz Lall (former LWVUS foreign policy specialist) makes in her book discussing the probable impact of reductions in defense spending on the U.S. economy.

Also available through OTP (for a $5.00 rental fee) is a 15 minute slide show and tape, titled "A Call to Arms Control." The show,which makes the case for reducing arms, could be used to open a discussion of issues to be addressed by the upcoming Special UN Session.

The Continuing Crisis in Trade

current focus

"Consumers Outraged as World Coffee Prices Soar"

"U.S. Trade Deficit Hits New Record"

"U.S. Farmers Search for New Export Markets"

"Two Shoe Factories Close—Cheap Imports Cited"

Every day the headlines carry reminders of how world trade touches us—the jobs we hold, the prices we pay. But the headlines rarely spell out how much we benefit from trade. Though estimates vary, as many as one out of six jobs in the United States depends directly on exports. One out of every three dollars of profit comes from trade-related business. One fourth of all our farm products are sold abroad. The United States depends on imports for 13 key raw materials. And both industry and consumers benefit from being able to buy a wide range of imported products, often at cheaper prices.

The headlines have also reported that world trade problems abound. The amount we've spent to buy products from overseas has far exceeded the money we've earned by selling American products abroad. The gap—our trade deficit—was close to a whopping $27 billion in 1977, breaking all records.

At the same time, specific American industries have been having a rough time. Some of those headlines have told of shoe factories and steel plants being closed, people being laid off. Industries that have been hurting blame most of their problems on foreign competition. Labor unions and many firms are calling for more barriers to imports, and within Congress a host of new "protectionist" measures designed to keep out foreign goods have been introduced.

Trade problems are not limited to the United States. The staggering increase in the price of oil since 1973 and the worldwide recession of 1974 and 1975 plunged the world economy into a state of disarray from which it has not yet recovered. Countries heavily dependent on foreign oil to keep their economies going have all been in the same boat—trying to increase exports to pay for expensive oil imports. However, because of the world recession, export markets have dried up and deficits have worsened.

Faced with high unemployment and trade deficits, plus low-priced competition from those developing nations that are able to export manufactured goods, many countries are facing increasing pressures from within to erect new barriers to keep out imports and protect their industries.

But when one country raises its barriers against imports, it invites retaliation from other countries. A full-fledged trade war could result, hurting all nations' economies. Nevertheless, it is hard for political leaders to keep the long-term picture in mind amidst cries for help from workers who believe they are losing their jobs to foreign workers and from domestic businesses that can't compete with foreign-made products.

The upshot is that the move toward freer trade and an expanding world economy, which has been in force since World War II, is threatened on many fronts. Willhelm Haferkamp, an official of the European Economic Community (EEC), warned recently that "the world is nearer sliding back to the protectionism of the 1930s than at any time for the last 30 years."

Ironically, despite this rising protectionist sentiment, 97 nations have been meeting in Geneva to try to negotiate a further reduction of trade barriers as part of the current "Tokyo Round" of the Multilateral Trade Negotiations (MTN).

What stake does the United States have in the trade issues now being negotiated? What are the arguments for and against barriers to trade? What can be done to help ailing industries? How do our concerns relate to those of other nations? What should be our response to the current crisis in trade?

The debate over freer trade

Economists reached a consensus long ago that fewer barriers to trade mean greater wealth for the world as a whole. The theory of free trade, or "liberal trade" as some call it, is that when goods and services can move freely among nations, each country will specialize in making the products it can make most efficiently. Each country will then trade some of the products in which it has a "comparative advantage" to other countries for things it needs but cannot make as efficiently.

For example, the United States may have a comparative advantage in making products requiring large amounts of capital, sophisticated technology, and managerial know-how because we have relatively more of these factors of production than many other nations. Other countries with an abundance of cheap labor may have a comparative advantage in making products that require a heavy input of manpower to produce. When countries specialize in what they do best, more of each product can be produced with the resources available. There are more goods and services to go around.

Liberal trade also means lower prices and a check on inflation. When products move freely among nations, there is greater competition to keep prices down and consumers can shop among products made in different countries to get the best price. The most efficient producer will be able to make a product for the lowest price. So when countries specialize, prices will be cheaper for everyone. When barriers are erected to keep out imports and protect a domestic industry from cheaper foreign competition, it both raises prices and hurts the economy by tying up resources (capital, labor and materials) in less efficient industries.

There are many types of trade barriers, but the most common and visible are tariffs and quotas. A tariff is a

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tax on a product coming into the country. Since the importer often passes the cost of that tariff along, it artificially raises the price of the product to the consumer. Sometimes the tax is set so high that the imported product, though really cheaper at dockside than the domestic counterpart, ends up costing the consumer more.

A quota sets an absolute limit on the amount of a foreign product that can be brought into a country. After the limit is reached, consumers must buy the product made at home even if it is more expensive, not as attractive, or not of as high a quality as the foreign version. Economists generally feel a quota disrupts the economy even more than a tariff; at least with a tariff, once the tax is paid, supply and demand are again allowed to work. One study estimated that in 1971 the extensive quotas in force at that time were costing American consumers at least $10 billion a year.

The classic argument for trade barriers is made on behalf of "infant industry," particularly in developing nations. It may be impossible for a new industry to get started if it has to face stiff competition from already established producers. Temporary tariffs or quotas are viewed as necessary to give the new industry a chance to reach a high enough level of production to compete freely. However, it is often difficult to remove barriers once they are erected and protection tends to remain long after the time that the infant should be full grown.

In industrialized nations the "aged and infirm" industries often ask for protection more frequently and more vigorously than do the "infants." As the world economy changes, as new products are developed and new producers enter the market, certain sectors of the economy that once competed well, may find themselves gradually facing stiffer competition from foreign producers—sometimes because the home industry has not invested in new technology or kept up with changes in consumer tastes, sometimes because the cost and value of different factors of production (such as capital, labor, raw materials) have changed so that the comparative advantage has moved from domestic producers to a foreign producer.

The economic doctrine of comparative advantage sounds great for the world, and even for each country as a whole. But individual firms that go out of business and individuals who lose their jobs as part of the shift do not benefit directly. It is easy to see why an industry being hurt by imports is strongly motivated to ignore the general advantages of liberal trade and argue that it needs protection.

Those who oppose liberal trade are quick to point out that modern governments intervene in their internal economies and that this intervention can distort the natural comparative trading advantages of individual countries. For instance, some in the U.S. steel industry complain that complying with pollution control laws undermines their industry's comparative advantage.

Trade policy decisions are not based on theory, but rather are made in the political arena. Members of Congress who represent districts in which industries are languishing and workers are losing jobs often focus on the immediate problems of their constituents and conclude it is politically wiser to support trade barriers, in spite of the longer-term disadvantages of higher tariffs or quotas.

The benefits of freer trade are widely spread among the population and are not very visible, while those who are hurt in the short run by changes resulting from freer trade are concentrated in certain sectors of the economy. Their injuries are immediate and very visible. They tend to be well organized and vocal in demands for protection. Consumers and others with a stake in freer trade may not even be aware of the specific benefits they are receiving and they are rarely organized to oppose protectionism.

Those who support liberal trade policies recognize the individual hardships imposed by swift changes in trade patterns. They believe that instead of a particular group of workers and businesses being expected to bear the full brunt of policies that would benefit us all, there should be prompt, effective government adjustment assistance programs to help make the transition caused by competition from exports.

The framework: U.S. laws and international rules

Arguments between liberal traders and protectionists are as old as trade itself and the issue has been hotly debated in the United States since the first Congress convened in 1789. U.S. trade is governed both by U.S. laws and by international agreements, which occasionally conflict. During this century, several landmarks in trade policy stand out.

Hawley-Smoot In 1930, in the midst of worldwide depression, the Hawley-Smoot Act set tariff rates at an all-time high—an average of 60 percent on dutiable items. Foreign countries retaliated. U.S. exports dropped from $5.2 billion in 1929 to $1.6 billion in 1932; imports fell from $4.4 billion to $1.3 billion. At a time when the world economy desperately needed expansion, world trade shrank dramatically.

Trade Agreements Act Hoping to expand American exports and aid economic recovery, Congress passed the Trade Agreements Act in 1934. The law authorized the President to reduce U.S. tariffs up to 50 percent in exchange for equivalent benefits from other countries. The basic liberal trade philosophy of this act subsequently governed U.S. trade policies for almost 30 years.

General Agreement on Tariffs and Trade (GATT) After World War II, the United States joined other countries in negotiating rules for international trade. The basic tenet of GATT is nondiscrimination, referred to as the "most-favored nation" concept. It stipulates that a trade concession given by one country to another must apply equally to all other GATT signatories. If domestic industries must be protected, GATT rules give preference to the use of tariffs rather than quotas. Five rounds of GATT negotiations between 1946 and 1967 reduced the average tariffs of industrialized nations to below 10 percent.

Trade Act of 1974 Special negotiating authority, granted to the President for the early 1960s' "Kennedy Round" of GATT negotiations, ran out in 1967. It was reinstated and expanded by the 1974 Trade Act that gave the President broad new authority (to January 1980) to cut remaining U.S. *tariffs* by as much as 60 percent and to eliminate entirely any tariff of 5 percent or less. Under the act, the President may also negotiate *nontariff* measures, though only in close consultation with congressional committees, and subject ultimately to congressional approval. This act also makes it easier for industries injured by imports to obtain special protection and adjustment assistance.

Changes in the international monetary system Because each country uses a different currency, there has to be a system for converting one type of money to another. Seeking economic stability at the end of World War II, the allies agreed to fix the rates at which individual countries' currencies were exchanged. Although it provided the stability important to world trade, the system of fixed exchange rates proved too inflexible for changing economic conditions. From time to time countries were forced to break their pledge and change the value of their currency, sending sudden shocks throughout the world economy.

Following unilateral readjustments by the United States and other countries between 1971 and 1973, new international monetary rules emerged. Exchange rates in the new monetary system are flexible. Money is bought and sold like any other commodity. The prices of currencies are generally allowed to "float," changing in response to supply and demand, with governments pledged to intervene in the currency markets only to smooth out erratic swings, not to interfere with the long-term prices set by the free market.

Theoretically, under such a system of flexible rates, balance of payments deficits and surpluses should tend to right themselves automatically over time. When a country has a balance of trade surplus—that is, when it sells more exports than it buys imports—demand for its currency is high. Foreigners need the currency to pay for all the country's exports they are buying. Thus, the price of the surplus country's currency would slowly rise vis-à-vis other countries. This price rise should gradually reduce a country's exports by making them more expensive for foreigners to buy and should expand imports priced in foreign currencies by making them cheaper. The net effect would be to reduce the surplus. The opposite would occur with a deficit country.

Despite its advantages, the system does not always seem to adjust so automatically in practice. Countries do sometimes intervene to change the value of their currencies. When this happens, the resulting nickname is "the dirty float." Charges have been made that some countries interfere with the market to keep their currencies undervalued to spur their exports. On the other hand, the United States has been criticized for *not* intervening to keep up the price of the dollar.

The U.S. trade picture

The last 25 years have seen a dramatic expansion of world trade—a ten-fold increase to a total of about a trillion dollars a year. U.S. Special Trade Representative Robert Strauss notes that the United States, with about one-eighth of the total, has been the "principal beneficiary" of this growth. In the past five years, U.S. imports and exports have doubled.

Our exports cover a broad range of both manufactured and agricultural products. Manufactured exports include capital goods, machinery, electronics and consumer products. Exports are even more important to the U.S. farm community, which sells one-fourth of all its agricultural commodities overseas. Agricultural exports have been growing by leaps and bounds, resulting in a $12 billion surplus of agricultural exports in 1976, compared to a deficit in non-agricultural products of $21 billion.

The trade deficit

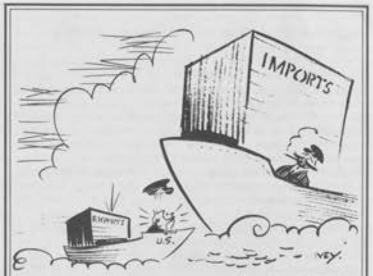
After enjoying several years of trade surpluses, the United States has recently begun to run trade deficits. A 1975 trade surplus of $9 billion turned into a deficit of over $9 billion in 1976 and by 1977 had jumped to a deficit of nearly $27 billion—a new record! During this time exports have been growing, but not nearly as fast or as consistently as imports.

The overall picture is not as grim as the trade statistics alone would first suggest, however. There is much more to international commerce than *merchandise* trade flows. The United States is a major exporter of *services*, for which we receive fees and royalties, interest on loans, and payments for travel and business services to foreign clients. In 1977, the U.S. export surplus of services was close to $17 billion. The exported services brought the total U.S. balance of payments deficit down considerably. Nevertheless, the total balance of payments deficit (which not only includes merchandise trade flows, but also services and other international payments such as foreign aid and costs of overseas military operations) ran close to $18.5 billion in 1977, compared with an $11.6 billion surplus in 1975.

What has happened? Economists generally agree that two major factors have contributed to the giant U.S. deficits—oil, and a slower rate of recovery from the recession overseas than in the United States. The huge increase in the price of oil has caused upheavals and structural changes in the world economy that have not yet worked themselves out. With the oil-exporting countries running ongoing surpluses, someone must be in deficit. Moreover, not only has the *price* of oil gone up, but the *amount* of oil the United States imports continues to rise rapidly. In 1977, we actually had a surplus in non-oil industrial and agricultural products, but we imported some $45 billion of petroleum products.

However, increases in purchases of U.S. products and investments in the United States by members of the Organization of Petroleum Exporting Countries (OPEC) partially offset the oil imports so that oil alone cannot be blamed for the U.S. deficits. Undersecretary of State Richard Cooper estimates that ". . . only about 40 percent of the deterioration of the U.S. trade balance over the past two years can be attributed to our trade with the OPEC countries."

The rest of the explanation for the deficit has a positive side, at least for the United States. The U.S. economy has been recovering



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faster from the worldwide recession of 1974-75 than has most of the rest of the world, particularly our major industrialized trading partners. The same economic growth that heightened our appetite for oil has increased our demand for other imports—both raw materials for recharged industries and consumer products to satisfy the demands of rising personal incomes.

At the same time, the rest of the world, still stagnating, has not been able to afford to buy as many products from us. Many industrialized countries still have unused capacity in their factories, so investment in new capital goods and equipment (a mainstay of U.S. export trade) has been low. The Congressional Budget Office (CBO) estimates that if other industrialized countries had recovered as fast as the United States, our exports would be $13 billion higher. Cooper claims that slow growth in other industrialized trading partners, particularly Canada and the EEC, but even in relatively successful Japan, contributes to about 25 percent of the increase in our trade deficit.

The oil price increases and recession hit developing nations even harder than they did the developed world. Many are substantially in debt. As the cost of oil and other crucial imports increased, certain countries, including important traditional U.S. customers Mexico and Brazil, have been forced to restrict imports to maintain the confidence of their creditors. Thus, over a third of the decline in our trade balance can be attributed to slow growth or actual decline in exports to non-oil exporting developing nations. Not only have exports to the less-developed countries been slow, but the United States has increased imports from some of the developing nations that have been successfully industrializing, particularly Taiwan and South Korea.

The U.S. trade deficit is likely to continue at about the same level at least through 1978. Americans show no signs of significantly curbing their appetite for imported oil in the near future, and forecasters expect growth rates in the developed world to remain low.

Are the large U.S. balance of trade and balance of payments deficits a cause for worry? Probably not in the short run. Continued deficits could cause the international value of the dollar to fall even further, making imports more expensive and fueling inflation (while at the same time making our exports cheaper to buy and theoretically easing the deficit). But foreigners have so far shown a willingness to hold dollars and even reinvest them in the United States, so the price of the dollar had fallen only moderately by the end of 1977. Some observers fear that the deficits signal that U.S. products are no longer competitive in international markets. But, according to the CBO, the overall U.S. share in total manufactured exports has not deteriorated significantly.

Walter Salant, senior fellow emeritus of the Brookings Institution, suggests that "the most serious cause for concern is not the deficit but the major factors causing it: our failure to reduce our consumption of energy . . . and the weakness of the recovery in the other major

Profile of a major trading partner: the EEC

The European Economic Community (EEC), established in 1958 to coordinate the economies of six Western European nations and create a "common market" for their goods, now includes France, Germany, Belgium, Luxembourg, Netherlands, Italy, the United Kingdom, Ireland and Denmark. The EEC nations have gradually reduced trade barriers among themselves and harmonized their external tariffs and other trade barriers with the rest of the world, creating a large common market area. They have also established a Common Agricultural Policy (CAP) to support farm income and set uniform agricultural prices throughout the Community.

Initial U.S. fears about competition from an expanding European common market have proven unfounded. Trade between the United States and the European Community has grown dramatically, to the benefit of both. The United States has enjoyed an ongoing surplus with the EEC. In 1976, when the U.S. balance with other countries was worsening, our surplus with the EEC rose to $7.3 billion.

However, trade frictions continue, especially in the field of agriculture. As part of the CAP, the Community applies "variable levies" to imports to bring their prices into line with internal EEC agricultural prices. Although it complains bitterly about this protectionism, the United States had a 1976 agricultural surplus of $5.2 billion with the EEC. The EEC is the United States' most important agricultural market, taking nearly 28 percent of our exports in 1976. In fact, in light of its heavy agricultural trade deficits with the United States, the EEC argues that it suffers from our own protectionist quotas on cheese imports and our countervailing duty actions on canned hams and other dairy products.

The Community, which speaks with one voice at GATT talks, continues to be willing to bargain for further reductions in trade barriers. Although agriculture is on the table in the current round, the EEC has indicated that the central features of the CAP are nonnegotiable.

industrial countries." It is generally agreed that by buying the products of other countries and running a trade deficit, the United States is helping to stimulate the world economy. But U.S. officials feel that Japan and Germany, which have large trade surpluses, should be sharing some of the burden.

Problem sectors

The plight of certain "problem areas" cannot be ignored. Several key sectors of the U.S. economy—including shoes, textiles, steel, television and sugar products—have taken an especially hard beating from foreign competition. It is from these sectors that most of the pleas for protection come. The examples of shoes and steel demonstrate the kinds of problems encountered and the way the Carter administration has dealt with them so far.

Shoes

Under so-called "escape clause" provisions of the Trade Act of 1974, industries threatened by a sudden upsurge of foreign imports can receive some short-term protection. An injured industry must apply to the U.S. International Trade Commission (USITC) for a determination that imports have "substantially" contributed to its problems. The commission may then recommend that the President impose tariffs, quotas or a combination of both on the foreign product. The President may accept the recommendation, reject it, or take a different action of his own. However, if he does not follow the commission's suggestion, Congress may override his decision.

Early in 1977 the USITC ruled that increasing shoe imports were causing serious injury to the domestic shoe industry and recommended that President Carter impose a combination of new tariffs and quotas on imported shoes (President Ford had rejected a similar earlier recommendation). Many observers claimed that the USITC's ruling was "overkill" and that the shoe industry's problems were at least partially of its own making. They noted that American shoe companies had failed to keep up with current styles, that many had not installed modern and more efficient equipment and that the larger and more progressive American shoe firms were doing just fine (and in fact importing part of their lines).

Apparently fearful that a flat rejection of the USITC recommendation would be overruled by Congress, the President instructed Special Trade Representative Strauss to negotiate Orderly Marketing Agreements (OMAs) with the countries whose shoes were causing the biggest problems for U.S. manufacturers. Under the OMAs, Taiwan and South Korea agreed to "voluntarily" restrict the number of shoes they send to the United States for four years.

Critics say that the OMAs are just quotas in disguise, but the Administration emphasized that they were temporary and *voluntary* (involuntary quotas imposed unilaterally against two countries would be illegal under GATT rules). The Administration also pledged to give increased adjustment assistance to the shoe companies and workers.

Steel

The late 1970s have seen the steel industry in trouble throughout the world, reflecting excessive plant capacity in the face of sluggish worldwide demand, as well as the entry of some new producers such as Yugoslavia and Brazil. Steel production in 1977 reportedly ran at only about 80 percent of total capacity in the United States, but the figures elsewhere are worse: 75 percent in Japan and 60 percent in the European Community. U.S. steel manufacturers have been slower to invest in new techniques and cannot produce as cheaply as the Japanese. But U.S. industry spokesmen say transportation savings should ordinarily make up enough of the difference to allow them to compete. American producers claim that both the Europeans and the Japanese have been trying to get rid of excess steel by "dumping" in the United States at prices below their cost of production.

U.S. procedures for determining whether dumping has occurred and imposing offsetting import duties are cumbersome and slow. In the wake of widespread layoffs and the dramatic closing of several steel plants, the U.S. industry not only filed numerous dumping complaints but called for government restrictions on imports.

Pledged to pursue liberal trade policies and wary of provoking trade partners by imposing unilateral restrictions, the Carter administration developed a plan that would address a number of the factors affecting the steel industry's situation besides increased imports resulting from either more efficient producers or unfair trade practices. The plan was designed to make antidumping procedures more effective in the short run, and to improve the American steel industry's competitive position in the long run. The central feature of the so-called "Solomon Plan" sets a "reference price" for steel products based on the cost of producing steel in Japan, the most efficient producer. The sale of imported steel at more than 5 percent below this price automatically triggers a speeded-up dumping investigation by the Treasury Department. Other elements of the plan include tax breaks to spur investment in modern equipment, government-backed loans, reductions in steel freight charges, and some postponement of expensive pollution control requirements.

Critics question relying on Japanese industry for accurate cost figures to set the reference prices, and they note that even in the absence of dumping, the U.S. steel industry may not be competitive. While the reference price system should end unnecessary delays in processing dumping charges and let foreign producers know with certainty what price will set quickened procedures in motion, it is unclear whether or not the plan can solve all of steel's problems.

Current issues: all on the Tokyo Round agenda

In the middle of slow recovery from the world recession and rising worldwide pressures to raise barriers to trade, 97 nations have been meeting in Geneva to conduct Multilateral Trade Negotiations (MTN) aimed at further liberalizing trade and setting international trade rules for the next decade. The current round of talks (called the Tokyo Round because a meeting of government officials there in 1973 agreed to their initiation) made little progress until mid-1977, when things started moving again. The Tokyo Round negotiators are tackling most of the world's pressing trade issues.

Although the governments of the major trading powers—the United States, the EEC and Japan—are all under similar pressures from home not to give concessions that would make their domestic economic situations any worse, all agree that both tariffs and nontariff barriers should be reduced. An EEC official commented that one incentive for working out an agreement common to all governments is the need "to have a weapon to use against our own industries. We have to be able to say, 'we can't put up that barrier, it's against international rules.'"

Tariffs

The Kennedy Round of negotiations reduced tariffs by 35 percent, leaving the average rate relatively low. Even so, there has been hard bargaining over tariffs, partly because the average figure conceals a large spread from very low to very high in some countries (including the United States). The European Community (with relatively consistent tariff rates) has wanted to smooth out the mountains and valleys in U.S. tariffs rather than make large general cuts. The United States, on the other hand, has pushed for across-the-board reductions of around 60 percent. The final tariff reduction is expected to average around 40 percent, with some harmonization of rates.

A recent Brookings Institution study, entitled *Trade Negotiations in The Tokyo Round: A Quantitative Assessment*, found that an MTN tariff cut of around 40 percent would benefit the United States over the years by a total of about $40 billion. The annual volume of world trade would grow by about $8 billion, with about one-third of this increase going to developing nations. The study further estimated that approximately 90,000 U.S. jobs would be lost as the cuts are gradually introduced, but that the losses would be more than offset by job increases in U.S. export industries. The study concluded that even when costs for adjustment assistance are calculated, "the economic benefits of trade liberalization would be about 80 times as large as labor adjustment costs in the United States."

Nontariff measures

Rules governing the multitude of governmental nontariff measures (NTMs) that affect trade flows have been the main focus of the Tokyo Round, and have proven much harder to agree on. Though many nontariff measures may not even have been established primarily to influence trade, they nevertheless do distort it. The GATT secretariat has compiled a list of 800 such measures—from administrative customs procedures and safety requirements to domestic economic programs to help certain regions or industries.

GATT rules do allow certain nontariff measures designed to protect domestic industries against unfair foreign competition or sudden short-term inflows of foreign products. Efforts are being made to negotiate better rules for applying the acceptable measures, such as countervailing duties to combat foreign export subsidies, antidumping measures and safeguards.

Subsidies/countervailing duties

Perhaps the thorniest task at the trade talks is coming up with rules to govern government subsidies to exports and definitions of what retaliatory measures a country can take. GATT rules allow an importing country to impose a "countervailing duty" on a product that is directly subsidized by a foreign exporter's government. But what constitutes a subsidy? Some cases are obvious—when the government simply pays a producer to export, the product is subsidized. But what about some of the other common forms of support that modern governments give to their economies, which might be construed as indirect subsidies of exports? How, for example, should we regard tax breaks or low-cost loans designed to spur economic development, but which have the effect of facilitating exports?

One source of friction between the United States and the EEC has been the "value added tax" (VAT), which is similar to a sales tax but is added at each step of the manufacturing and distribution of a product until it reaches the consumer. While the U.S. government uses income taxes as its major source of income, European governments rely more heavily on the VAT. European VATs are generally higher than U.S. sales taxes and are included in the price of the products, rather than added at the time of purchase. Under GATT rules, indirect taxes such as the VAT may be added to imports and rebated on exports, thus increasing the price of imports and making exports cheaper for overseas buyers. Some U.S. observers claim the VAT rebate is an unfair export subsidy despite GATT rules, and they call for countervailing duties. The issue is being argued in U.S. courts, as well as in Geneva. Since VAT rebates affect 90 percent of EEC exports, the Community insists the matter is nonnegotiable.

The United States has some export subsidies of its own. One of the most controversial is the Domestic International Sales Corporation (DISC) provision of the Revenue Act of 1971. The law allows a DISC (any corporation with 95 percent of its income derived from exports and 95 percent of its assets related to exports) to defer 50 percent of the U.S. income taxes on its export income. Businesses that use the DISC provisions claim it is an important spur to exports, but the AFL-CIO has branded it a tax loophole that is misused and contributes little to export stimulation.

Profile of a major trading partner: Japan

Since World War II, Japan has become a major world economic power. Trade between the United States and Japan has been important to both countries, but particularly to Japan as an island nation with limited farm land and natural resources. Japan primarily imports U.S. food and raw materials; the United States buys a wide range of Japanese manufactured products. In recent years, U.S. imports of Japanese products, including steel, have skyrocketed, while U.S. exports to Japan have stagnated. The $8 billion-plus U.S. deficit with Japan in 1977 put a severe strain on U.S.-Japanese relations.

Japan has a balance of trade surplus with the world as a whole, as well as with the United States. It is under increasing pressure to share the world's burden of OPEC-induced trade imbalances by reducing its surpluses or even going into deficit. One way to do that would be to heat up Japan's own economy, still sluggish after the recession, so that it could buy more products from overseas. But Japan has been reluctant to do that too rapidly for fear of setting off a wave of inflation.

Increases in the Japanese yen on world currency markets in 1977 should, in theory, ease the problem somewhat by making their exported products more expensive and their imports cheaper. But ironically, any cutbacks in Japan's exports depress the Japanese economy, partially counteracting the government's efforts to heat it up! The United States argues that Japan needs to do more to increase imports.

Some U.S. observers charge that Japanese trade barriers are keeping out foreign products, while U.S. markets are flooded with Japanese products, many of them subsidized. Since the mid-sixties, the Japanese have reduced tariffs nearly to the average level of other industrial countries and have eliminated all but 27 quotas (mostly in agriculture and mining). But some U.S. exporters claim that many unofficial barriers still exist, including cumbersome import procedures, complicated specifications and standards for manufactured products, and an intricate retail distribution system for some products. U.S. exporters argue that these obstacles keep foreigners from penetrating the markets; the Japanese counter that the United States has its own import barriers and that Westerners just don't try hard enough to export. Early in 1978, the Japanese agreed to make additional concessions even in advance of agreements at the multilateral trade talks in Geneva. Even so, the debate is sure to continue.

Negotiators are also trying to sharpen the ground rules on procedures for imposing countervailing duties. Current GATT rules stipulate that before a countervailing duty may be applied there must be evidence that imports of a subsidized product are actually causing "injury" to a domestic industry. However, U.S. law does not require a determination that imports are damaging a U.S. industry before slapping on retaliatory duties. The United States is under pressure to conform to the GATT rule.

Antidumping procedures

International law allows a country to protect itself against other countries' "dumping"—that is, selling their products cheaper overseas than they do at home. At first glance it's hard to see why anyone would object to being able to buy products at a reduced price. As one observer said, "The best deal we could get would be if they cut their prices even further. Can you imagine getting a Christmas present of a ton of steel completely free from Japan and then complaining about it?" But workers who lose their jobs when the products they make are undersold from overseas do not see it that way.

Low "dumping" prices cannot last indefinitely because they do not reflect true comparative advantages. But they can last long enough to severely damage a domestic industry. So GATT rules allow a country to impose an antidumping duty high enough to bring the price of an imported product up to the price in the country of origin. While GATT defines dumping as selling overseas for *less than at home*, the U.S. Trade Act of 1974 defines it as selling *below the cost of production* whether or not this is below the domestic price. This conflict over the definition of dumping is itself an issue at the trade talks.

Safeguards/escape clause

International law recognizes the right of a country to protect itself from a sudden upsurge of imports that severely damage or threaten to damage a domestic industry. GATT regulations allow a country to impose a trade barrier temporarily as a safeguard to allow an industry to adjust to new competition, *provided that safeguard measures are applied equally to all exporters of the product.* The country using the escape clause is also supposed to grant other concessions to make up for the new barrier.

Devising better safeguard systems is one of the major challenges in the Tokyo Round, since so many countries are suffering high levels of unemployment. In the past, GATT safeguard procedures have been circumvented by importing countries getting one or more specific nations to agree to voluntary export restraints, such as Orderly Marketing Agreements. Some argue that the GATT nondiscrimination principle should be suspended to bring OMA-type agreements under GATT rules so that each country can apply safeguard measures just to the countries responsible for the injury in each situation rather than to all countries exporting the product.

Other key nontariff issues

With the goal of establishing internationally agreed upon codes of conduct for trade practices, the multilateral trade negotiations are tackling a number of other nontariff measures that may inhibit the international flow of goods.

Government procurement Access to the lucrative market of government buying is a touchy issue at the MTNs. Other countries resent U.S. "Buy American" procedures (imposed by both states and the federal government) that require the government to give a contract to an American firm even if its bid is as much as 12 percent higher than a foreign firm, or up to 50 percent higher for defense buying. U.S. firms complain that even though other countries may not be as explicit in their discrimination, U.S. firms are often not even allowed to bid on foreign government contracts at all.

Standards Regulations setting standards for safety and health, which are proliferating in all countries, can pose a significant barrier to trade. Charges have been made that some so-called safety standards are really just protectionist measures in thin disguise. U.S. antipollution requirements, for example, make it harder for Europeans to export to the United States.

American Selling Price A sore point between the United States and other nations is the U.S. practice of calculating a tariff based on the price at which certain products would be sold in the United States, rather than on the lower value they would have sold for in the home country before shipping, insurance and other costs were incurred. U.S. negotiators agreed to change this customs procedure in the Kennedy Round of negotiations but Congress would not go along by changing the U.S. law.

Trade with the developing nations—is the deck stacked?

Developing nations now buy over 40 percent of U.S. exports of manufactured goods. Their purchases not only bring profits and employment to Americans, but provide the less-developed countries (LDCs) with the products, machinery and equipment essential to further economic development. The LDCs acquire the foreign currency necessary to pay for what they buy either through aid and loans, or through the sale of their products to the rest of the world.

Developing nations have long had trouble exporting enough to pay for what they need. The increased oil prices have severely worsened the problem. Most LDCs export primarily raw materials and agricultural commodities, which are then processed or turned into manufactured goods in the developed nations. Some of these finished products are in turn shipped back to the LDCs at greatly inflated prices.

The LDCs complain that they could do better if the world's economic system were not stacked against them. They stress that prices for commodities are extremely volatile, making it next to impossible to plan, much less maintain, a stable economy. Furthermore, they say the "terms of trade" work against them—the prices of their commodity exports are not rising as fast as the prices of the manufactured products they import. At the same time, the LDCs point out, the tariff rates of developed nations discourage LDC export of manufactured goods. While developed country tariffs on raw materials may be low or zero, they escalate rapidly for semifinished or finished products. So the LDCs emphasize that the trade policies of industrialized nations contradict their aid policies designed to encourage self-sustaining growth.

The Group of 77 (as the negotiating bloc of LDCs is called) has argued for changing the rules of the international economic game by establishing commodity agreements and granting special trade preferences for their products.

Commodity agreements The LDCs want agreements on a system to stabilize prices of 18 different commodities ranging from copper and iron ore to bananas and cocoa. The central feature of the system would be a "common fund," which would provide financing for the creation of "buffer stocks" of a commodity. The commodity would be bought up when the price was low (thus putting upward pressure on the price) and then sold off when prices were high (to provide downward pressure).

Many developed nations, including the United States, are skeptical of the common fund. At issue are numerous practical problems, funding, and the fear that developing nations may try to use the common fund to raise prices across the board rather than stabilize them. Nevertheless, the developed nations recognize that more stable prices would be to their advantage, and they have pledged to try to work something out. Separate preliminary negotiations for each commodity began in late 1977.

Trade preferences Under the Generalized System of Preferences (GSP), approved at the Kennedy Round negotiations, the industrialized nations each agreed to adopt some system for giving special tariff reductions to certain LDC products. However, the preferences actually granted fell far short of the LDCs' goal of across-the-board long-term preferences for all semifinished and finished products. The U.S. GSP, for example, sets a limit on the amount of any product that can come into the United States duty-free. Above that limit, regular tariffs apply. Furthermore, many products are excluded completely from the GSP list, especially those such as textiles and shoes in which LDCs have a comparative advantage. In 1976, only about 11 percent of all U.S. imports from LDCs came in under the GSP.

Although the LDCs continue to call for expanded preferences and greater opportunities to export manufactured goods, governments of industrialized nations face heavy pressure from domestic industry and labor unions to keep out finished products from those LDCs that are beginning to be competitive, particularly in the labor-intensive industries, which are often the most vulnerable in the industrialized countries. (For additional information see *North and South at the UN: The Economic Challenge*, LWEF #642, 40¢.)

The MTN outlook

Negotiators hope to have a package of proposed tariff cuts and codes of conduct on nontariff measures hammered out in 1978. But the scope of the talks is broad and no one can predict how much real progress can be made on the more complex issues such as distinguishing between direct and indirect subsidies for export industries. The simpler questions have been negotiated in earlier rounds of trade talks and the remaining problems go beyond trade matters to the heart of domestic economic policy: what can a government do to help its workers, industries and regions without facing foreign retaliation?

Once a package has been negotiated, the U.S. Congress must approve any agreements on nontariff measures. Furthermore, even though Congress has already granted the President negotiating authority to cut tariffs without further legislative approval, Congress can use its veto power over nontariff measures as leverage to influence decisions on tariff concessions as well. Proponents of new protectionist measures have been held in check with the argument that they should wait to see what the trade negotiations produce. But it is unlikely that solutions acceptable to everyone will emerge in any trade agreement. Even less likely to emerge is an agreement that could solve the underlying problems—a continuing sluggish world economy, unacceptably high unemployment in most countries and chronic problems in certain sectors of many industrialized nations. As Robert Samuelson, economic writer for the *National Journal* commented, "You cannot negotiate the end of a slump."

A continuing worldwide crisis in trade?

Assistant Secretary of the Treasury C. Fred Bergsten has warned repeatedly that even with the best possible outcome of current negotiations, trade problems will not suddenly disappear. He stresses that this country must gear itself up to deal with a "continuing crisis" in world trade stemming from high oil prices, slower growth in the industrialized nations and greater competition from a few of the less-developed countries in certain sectors. Global trade will continue to expand. Operating in an interdependent world, multinational corporations will continue to move capital, technology and skills rapidly from one country to another.

Taken together, these factors pose a formidable challenge to the adaptability of domestic economies. An economist for the industrialized nations' Organization for Economic Cooperation and Development (OECD) explains, "Trade expansion is increasing greatly but we are reaching the limits of domestic economic adjustment, which is much slower. The problem will be how to adjust these two rhythms—trade expansion and economic adjustment. We have to slow one and speed up the other." Governments will continue to grapple with the twin questions of how to minimize the impact of changing trade patterns on problem sectors in the short run, and how to improve mechanisms for long-term adjustment.

Problem sectors

The list of sectors in the developed countries that are having trade-related problems continues to grow. Depending on the country, it includes steel, textiles, shoes, electronics, shipbuilding and automobiles. The number of U.S. workers affected by foreign competition is relatively small compared to the total U.S. labor force. But however "small" the number, the workers tend to be concentrated in specific industries and geographic areas, so economic hardships in these affected sectors are significant. Most governments agree that long-term solutions to problems of particularly hard hit sectors in developed countries will require some degree of international consultation, and in some cases formal agreements.

Recent attention has focused on steel. While the United States has pinned its steel hopes on the "Solomon Plan," with a minimum reference price, the EEC has tried to solve its problems by cutting back steel production, phasing out obsolete plants and establishing an internal guidance price for steel. The Common Market also decided at the end of 1977 to set an import reference price for three months, under which foreign steel coming in below the designated price would be charged an additional levy. Meanwhile the EEC tried to negotiate voluntary arrangements with foreign steel suppliers to regulate the price and quantity of steel exported to the EEC. If the situation of the steel industry continues to deteriorate worldwide, there may be pressures for more extreme measures, such as international agreements to divide world markets.

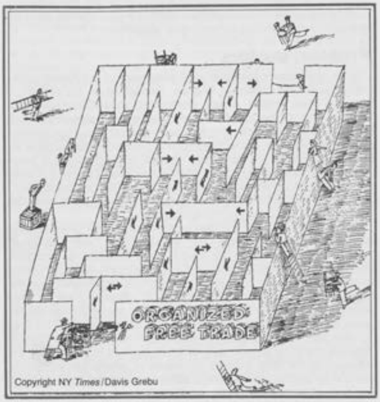
The European and U.S. textile and apparel industries have also been hard hit as cheaper imports from Hong Kong, Taiwan, South Korea, Latin America and even Eastern Europe enter the market. Unions estimate that between 25,000 and 150,000 U.S. jobs have been lost to these imports. The textile industry in Europe is in much worse shape. To help alleviate the problem, a Multifiber Agreement (MFA) was negotiated between exporting and importing countries under the auspices of GATT in 1973. The MFA allows some important exceptions from GATT quota and nondiscrimination rules—bilateral agreements, or even unilaterally imposed restrictions, on the quantity of fiber products imported from individual countries. Such restrictions must allow import levels to expand at least 6 percent each year. Even under the MFA, competition has proven stiff for many firms. With the MFA due to expire in 1978, U.S. labor wanted the rules cut back to allow only a 3 percent import growth. But the Carter administration succeeded in renewing the MFA without change. The EEC approved a simple extension only after agreement was reached allowing countries to negotiate more favorable bilateral MFA arrangements.

Trade adjustment assistance

Most modern governments accept the responsibility to provide some kind of adjustment assistance to the workers, industries and communities that must bear the brunt of changes resulting from increases in imports. The United States first established an adjustment assistance program in the Trade Expansion Act of 1962. However, because of stiff eligibility and certification requirements, no relief was granted to either workers or industries until 1969. Even after that date, the average wait for certification was over a year. The Trade Act of 1974 eased the rigorous eligibility requirements and speeded up the process.

Workers and firms can be certified as eligible for aid if they show that increased imports have "contributed importantly" to lay-offs or threatened lay-offs of a significant number of workers and to reductions in sales or production.

■ **For workers** The Labor Department has 60 days to rule on eligibility. Certified workers can get up to 70 percent of the average weekly manufacturing wage for up to 52 weeks (79 weeks for those over 60 years old), plus job training, reimbursement for job hunting costs and relocation allowances.



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■ **For firms and communities** The Department of Commerce has 60 days to consider eligibility applications. Certified firms can be awarded funds for consultants, loans and loan guarantees to help the firm reestablish its competitiveness in the same sector or to enter a different sector.

Critics still complain that: worker benefits remain too low and are given for too short a period; certification is still too slow, and both the Labor and Commerce Departments are behind on processing applications; provisions do nothing to help suppliers of a firm that has to cut back production due to imports; interest on loans is too high for already shaky companies to afford; eligibility requirements for communities are almost impossible to meet, and; few workers are actually retrained and relocated.

In the end, the program will be judged on how well it can help workers adjust to economic change and find productive jobs. A labor leader has complained that "the adjustment assistance program neither adjusts nor assists." Finding new jobs for displaced workers in the shoe and apparel industries has proven particularly difficult since so many of them are older persons. Many are second wage earners who are reluctant to relocate because their spouses would have to leave their jobs. And, realistically, reemployment often depends on job opportunities that only a healthy economy can provide.

Some observers question the program in toto, asking why workers and firms in trouble because of imports should get special assistance not available to those in trouble for other economic reasons. The response of some critics is, "they shouldn't." Instead, they say, we should develop a comprehensive national employment policy similar to some European programs that extend adjustment assistance to workers, industries and regions hurt by such economic changes as cuts in defense spending or environmental protection requirements.

In Sweden, for example, the Labor Market Board tries to "give everybody a chance to work" by giving workers and their families moving expenses when they relocate, allowances while they retrain, and housing. The Swedish program helps industries establish plants in depressed areas, tries to phase out obsolescent industries, encourages modernization, and moves workers to jobs and areas where they are needed.

In his first year in office, President Carter promised an overhaul of trade adjustment assistance to meet some of the glaring inadequacies, without going so far as to extend the program to the entire economy. While no program can ever completely eliminate hardship and inconvenience for those who must adjust, relatively effective adjustment assistance is probably essential to maintaining liberal trade policies.

Continuing pressures for protection

Most governments have so far resisted the temptation to adopt drastic new protectionist measures that could invite retaliation and launch an all-out trade war. Some experts stress that such measures as the Orderly Marketing Agreements, informal bilateral "understandings" to limit exports, the Multifiber Agreement, and "reference prices" slowly erode the system. Others argue that such steps are essential to fend off more extreme measures that would bring about a complete breakdown of the system.

Labor unions and affected industries are leading proponents of protectionism in the United States. Without disputing the theoretical value of free world trade, the AFL-CIO says that as a practical matter, a free market cannot exist in the modern world of government economic intervention. Citing such issues as the VAT rebate in Europe and the "impenetrable" Japanese retail system, they claim that other countries exclude our products and that we should exclude theirs. U.S. labor also resents the growing practice of sending U.S.-made items like electronic components overseas for assembly with less expensive labor and then re-exporting them to the United States.

At the AFL-CIO convention in December 1977, George Meany declared that, "Free trade is a joke and a myth. . . . The answer is fair trade—do unto others as they do to us, barrier for barrier, closed door for closed door." The AFL-CIO plans to push a comprehensive plan of strict import controls in Congress in 1978. Opponents of this approach argue that we should negotiate to reduce other countries' barriers, not introduce new ones ourselves.

France has called for "organized free trade," which many observers take to be a euphemism for trade restrictions or even official international cartels. The rationale seems to be that some kind of regulation of trade will be needed for problem sectors of the world economy if a semblance of free trade is to be maintained for other sectors. There is talk of Multifiber-type agreements for other products, although no governments have as yet officially advocated any.

At the opening of the 33rd session of GATT in November 1977, Chairman George Maciel of Brazil warned, "We all know how hard it is to convince those engaged in an ailing and threatened industry, particularly during a period of recession, that protecting them from foreign competition is against national, international and almost certainly their own longer term interest, since it not only prolongs those ills but introduces new ones."

International trade represents around 7 percent of the U.S. gross national product (GNP), but it is even more crucial for other industrialized nations—over 20 percent of GNP for most European countries. The major economic powers agreed at a London summit conference in 1977 to stave off the growing pressures of protectionism. But if they are to keep this pledge in the face of the continuing crisis in trade, they will need the support of the vast majority of citizens who have a clear stake in freer world trade.

Researched and written by Elizabeth V. Perkins, International Relations Department Head

Order from League of Women Voters of the United States, 1730 M Street, N.W., Washington, D.C. 20036. Pub. No. 123, 50¢

GIST —A quick reference aid on U.S. foreign relations primarily for Government use. Not intended as a comprehensive U.S. policy statement.

BUREAU OF PUBLIC AFFAIRS DEPARTMENT OF STATE

US TRADE POLICY

February 1978

1. Background: During the 1960-76 period, the combined export-import trade of the US expanded from $35 billion to $240 billion. Total volume for 1978 is projected at over $300 billion. This makes us the world's largest trading nation.

   We must trade in order to maintain our current standard of living. Our economic health and that of other major countries is now so dependent on foreign goods for supply and on foreign markets for jobs that there can be no prosperity for any of us without an open and fair trading system. Millions of American jobs are export-related. Overseas customers buy 22% of our total agricultural production, 39% of our construction and mining machinery, and 25% of our aircraft production.

2. Liberal trade: For over 30 years, the US has been a leading proponent of measures to reduce restrictions on international trade. Trade liberalization advances the welfare of the American people and serves our broad foreign policy objectives by promoting international co-operation and economic growth. Trade means more jobs, lower consumer prices, and higher incomes for workers. Trade expansion allows us to shift to more efficient industries, resulting in a net increase in production and employment.

3. Agricultural trade: The US is the world's largest exporter of farm products, accounting for nearly half the world's exports of wheat and feedgrains. In 1977, US farm exports were valued at $24.2 billion, four times the value exported in 1969. Because of our comparative advantage in agriculture, we have much to gain by further expanding and rationalizing world agricultural trade. Consumers around the world also benefit from a liberalized agricultural trade through lower food prices.

4. US trade deficit: Our large trade deficits in recent years have resulted almost entirely from growing US dependence on foreign oil and from the fact that our major trade partners are recovering from recession more slowly than we are, so that their demand for imports is rising more slowly than ours. Restricting imports would invite retaliation. The more advantageous course is to increase our exports by reducing barriers to international trade. This is the goal of the Multilateral Trade Negotiations (MTN) now taking place in Geneva. In an open and fair world trade system, the US can compete successfully abroad.

5. Need for imports: In 1977, the US imported $147 billion worth of goods. We import nearly one-fifth of the raw materials we consume, depending on foreign purchases for 13 of 15 key industrial raw materials as well as for other items that we do not or cannot readily produce. Imports aid the US economy by:

- keeping factories open that might be idled or slowed down if basic supplies were cut off;
- stimulating innovation and efficiency within US industry; and
- giving consumers a wider choice of goods at lower prices.

Restricting imports would:

- raise the cost of primary materials needed by US industry;
- reduce exports of US products because of retaliation by other countries;
- enlarge our balance-of-payments deficit; and
- affect our close ties with Western Europe and Japan, as well as relations with the developing countries.

As we saw in the 1930's, broad-scale action to restrict imports would lead to a decline in production and employment and have severe political as well as economic consequences.

6. Import relief and trade adjustment assistance: Although the US is committed to an open international trading system, we cannot ignore domestic industries threatened by import competition. In some cases, the impact on domestic employment of rapid increases in imports can be severe. If US producers are harmed through unfair competition, US law and the General Agreement on Tariffs and Trade (GATT) permit counteractive government action. If US producers are harmed by imports without unfair practices, US law and the GATT permit action to restrain imports on a temporary basis. Under Title II of the Trade Act, the US Government can also provide income to those affected during the adjustment period, and furnish other types of aid, including retraining and relocation programs for workers, technical assistance to industry, and economic planning grants to communities.

7. Trade and LDCs: The US believes that increased trade is an important force in promoting the economic growth of the less developed countries. For most LDCs, trade rather than official aid is the main source of foreign exchange and the primary external factor in economic progress. Their ability to buy from the advanced countries the goods they need for their development is dependent to a large extent on expanding their exports. We and other developed countries have instituted a temporary generalized system of preferences (GSP) for LDCs to encourage development of exports of manufactures. The US GSP allows specific LDC products -- so long as they do not exceed certain limits -- to enter the US duty-free. In 1976, about $3.2 billion worth of LDC exports entered the US under this program. In addition, we have expressed our willingness at the MTN in Geneva to reduce the most-favored-nation tariffs on products of special interest to LDCs.

LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102 • TELEPHONE (612) 224-5445

To: Members of the Minnesota Senate
From: Helene Borg, President, League of Women Voters of Minnesota
Re: SF 2111
Date: March 6, 1978

The League of Women Voters (LWV) of Minnesota opposes SF 2111.

In 1973 League of Women Voters members representing communities large and small across the United States affirmed their belief in a liberal U.S. trade policy based on public interest, not sectional interests. LWV opposes impediments to trade.

The League believes there should be no specification of where a product must be purchased for the following reasons:

> Negotiations to help gain freer trade and to lower non-tariff barriers are at the final critical stage of the Tokyo Round of the General Agreements on Tariffs and Trade (GATT). The United States is playing a leadership role at GATT. Legislation which undermines the U.S. trade policy of lowering world-wide impediments to trade will reduce U.S. credibility. If the Minnesota Legislature adopts this restrictive policy at the state level, the same policy could be adopted in world markets against those goods and services which originate in Minnesota. Viewing world markets in the future is the responsibility of lawmakers at every level. Expanding opportunities for buying the cheapest and best have a beneficial effect for every consumer in the state. Protecting inefficiency in whatever location in the world is bad for every consumer in Minnesota. The protection of American manufacturers will be the go-ahead for U.S. world trading partners to adopt further protections for <u>their</u> industries and then Minnesota-manufactured exports will <u>be shut</u> out of <u>their</u> markets.

This year the U.S. had the largest trading deficit ever - 26.7 billion. The U.S. dollar is dropping in value, and this will make our exports less costly and more attractive to buy. U.S. trading partners will have to work harder to find markets for their more costly goods in relation to our cheaper goods. The market place is working <u>for</u> us. Any tampering with the market place will lead to retaliation that <u>could</u> get out of control. It will <u>not</u> benefit Minnesota workers; it will eventuall harm them.

(Over)

The League of Women Voters of Minnesota urges you not to add Buy American provisions to Minnesota Statutes. Further barriers at this time could be duplicated by our trading partners and would be impossible for a Minnesota Legislature to remove. LWVMN believes the U.S. trade negotiators are in the best position to gain the beneficial results this statute is trying to achieve.

To: Members of the Minnesota House of Representatives
From: Helene Borg, President, League of Women Voters of Minnesota
Re: HF 2233
Date: March 6, 1978

LEAGUE OF WOMEN VOTERS OF MINNESOTA
555 WABASHA • ST. PAUL, MINNESOTA 55102 • TELEPHONE (612) 224-5445

To: Local League IR Chairs
From: Pat Llona, LWVMN IR Chair
Re: Local Programs on Trade
Date: March 15, 1978

The District Export Council (DEC), the volunteer arm of the Department of Commerce, would like to get help from local Leagues to promote exports (our present U.S. trade deficit is a record 26.7 billion). DEC members, company executives who donate their time to visit outstate, put on programs that inform local businessmen and manufacturers about the world of export. Traditionally Chambers of Commerce were contacted, but their members did not have the scope for generating enthusiasm on world trade. The DEC feels that the League with its background and knowledge and its national position and with local community contacts, might be helpful in focusing in on export opportunities.

The DEC would send speakers who would act as resources on methods of becoming exporters - the technicalities involved - how to be an exporter even though a small company, etc.

By cooperating with these businessmen, acting as "big brothers" to local manufacturers, in sponsoring a possibly day-long trade seminar, you would be doing a lot for your community. This could evolve into opportunities for establishing an "education fund" at the LWVEF (see Guidelines for State and Local League Use of Tax-Deductible Money, sent with the January Board Memo).

The opportunities for getting visibility are endless. League's Ed Fund publications (notice the recent "Crisis in Trade") are simply being wasted unless people outside League see them.

The LWVMN's recent Focus on Trade Protectionism was co-sponsored by the DEC and the Department of Commerce. We went to businesses for funding and reported results back to them. It was a highly successful effort. We have made contacts with people who never knew LWVUS was a supporter of liberal trade.

You can be as creative as you wish if you were to undertake a project with the District Export Council. Only you can tell if such a program would be beneficial to you and your community.

If you want more information and help, contact me at 5936 Grove Street, Edina, MN 55436 - 612-920-0426, or through the state office.

The American Importers Association (AIA), founded in 1921, is a nonprofit organization of 1,000 American firms whose livelihood depends on a healthy and expanding two-way trade between the United States and the rest of the world. Members include importers, import agents and brokers, retailers, domestic manufacturers, customs brokers, banks, steamship companies, airlines, insurance companies, and customs attorneys.

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JOBS
FAIR TRADE
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IMPORTS / EXPORTS
DEVALUATION
PROTECTION
PRODUCTIVITY
TARIFFS
BALANCE OF PAYMENTS
QUOTAS
INFLATION

who's right?

who's right?

Nobody is Arguing

about the need for the United States to:

- **control inflation**
- **stimulate economic growth**
- **expand job opportunities**
- **regain a healthy trade balance**
- **balance our international payments**
- **restore world confidence in the value of the dollar**

These goals are important to all Americans—as producers and as consumers, whether farm or factory or office workers. Nobody really questions the need to work towards these goals.

But There is a Big Argument

about how best to do it. Right now the biggest argument in Congress is over new foreign trade and investment legislation. Everybody agrees new legislation is needed, but one proposed bill is a radical departure from U.S. trade policy since 1934, while the other is a comprehensive refinement of this long-term policy. Both can't be right!

PROTECTIONIST

The PROTECTIONIST solution to trade problems is spelled out in the Burke-Hartke Bill (properly, Foreign Trade and Investment Act of 1973, Senate 151). This bill was developed by AFL-CIO leadership (representing less than one fifth of American workers) despite organized labor's three and a half decades of support for liberal trade policies. Burke-Hartke is also favored by a number of industries competing with imports. (If enacted, the bill would establish mandatory quotas reducing U.S. imports by $21 billion, or more than one third.)

FAIR TRADER

The FAIR TRADE solution is reflected in the Nixon Administration's trade proposals and in views expressed by Chairman Wilbur Mills of the House Ways and Means Committee (which controls trade legislation). A liberal trade policy has long had the support of the U.S. Chamber of Commerce, American Farm Bureau Federation, Emergency Committee on American Trade, American Importers Association, League of Women Voters, Consumer Education Council on World Trade, leadership of the United Auto Workers (UAW) and several other major unions, and most industries engaged in exports.

These two approaches to current U.S. foreign trade problems are based on conflicting assumptions about what's wrong, as well as how to cure it. Both can't be correct. Since the future value of your dollar—and possibly your job—will be affected by the outcome of this debate, it is important for you to know

who's right . . .

and to let your Senators and Representative know how you want them to vote on this important legislation now pending in Congress.

the basic difference

The basic difference between these two contradictory proposals is whether the United States **can** or **cannot** compete successfully, on equal terms with other nations, in world markets.

PROTECTIONISTS, as represented for example by the leadership of the AFL-CIO,* say: No, the United States is about to lose forever (or may already have lost) "the ability to hold its own in international trade." The principal reason is that foreign producers enjoy "the unfair competitive advantage" of lower wages than the United States. In addition, European and Japanese economies are growing more powerful, their technology is beginning to catch up, and (to make things worse) American multinational corporations are undermining U.S. competitiveness by exporting dollars, technology and managerial skills to take advantage of low foreign wages.

PROTECTIONISTS, having lost faith in America's capacity to compete, now propose to insulate the U.S. economy from world competition. This means first, strictly regulating (with mandatory quotas) the future growth of all imports which compete with U.S.-made products. It also means discouraging the future expansion of U.S. private foreign investment, and restricting the licensing of U.S. technology.

*This summary of the PROTECTIONIST viewpoint, including direct quotations not otherwise attributed, is based on a widely circulated special study, "Needed: A Constructive Foreign Trade Policy," which was commissioned and published in October 1971 by the Industrial Union Department of the AFL-CIO.

FAIR TRADE advocates, including President Nixon, say just the opposite: "My approach is based both on my strong faith in the ability of Americans to compete, and on my confidence that all nations will recognize their own vital interest in lowering economic barriers and applying fairer and more effective trading rules."* The right goal, says Chairman Mills, is "the maximum feasible expansion of international trade" through reciprocal reduction of trade barriers. PROTECTIONISM and the elimination of import competition will not only deny Amercan consumers a free choice, but will also give a fresh push to U.S. inflation. Lower foreign wages were not an unfair advantage in the past, and they won't be in the future—provided U.S. industry, with traditional ingenuity, recaptures its traditional lead in production and marketing efficiency. As for U.S. foreign investment, this is one of America's great strengths, since American multinational corporations are doing better than domestic corporations in creating new U.S. jobs, expanding U.S. exports, and contributing to the U.S. balance of payments.

FAIR TRADE solutions, therefore, are not to insulate the U.S. economy from competition but (in President Nixon's words) to "face up" to it—by controlling inflation, improving productivity, and exporting more aggressively. This means, not restricting imports and regulating trade and investment, but expanding exports, and using U.S. negotiating power to promote a more open and more prosperous world economy.

*Letter of Transmittal of the "International Economic Report of the President," March 1973.

page" in productivity—i.e., output per man hour grew at a slower rate, while rising labor costs pushed up the prices of U.S. manufacturers.

How Important Are Inflation and Productivity?

High rates of inflation and low productivity are both serious problems. When they occur together they can have a disastrous effect on a nation's trade competitiveness.

Western Europe and Japan have had much higher rates of consumer price inflation than the United States for more than a decade. During the early 1960s, however, the United States outperformed its competitors in productivity gains, which offset inflation. The trouble began in the late 1960s, when U.S. inflation spiraled up while productivity gains slipped. Here are the facts:

1960-64 PERIOD. The United States experienced mild inflation during these years, especially in the costs of food and services. In **manufacturing,** however, wholesale prices (and therefore export prices) were remarkably stable, increasing only 1 percent over the four years. This was a record unequalled by any of our major trading partners (although Japan and Canada came close). The explanation is that rising wages in manufacturing were more than offset by increased output per worker. As a result, the labor-cost content (unit labor cost) for U.S. manufactured goods **actually declined** 0.6% annually during 1960-64. On those terms, even with the world's highest wages, the United States was very competitive in world markets and enjoyed record trade surpluses.

1965-69 PERIOD. Partly under pressure of Vietnam war expenditures and other inflationary pressures, as well as a business slow-down, the U.S. performance record reversed itself during the next four years. Wholesale manufacturing costs (and export prices) rose more steeply in the United States than in any other major trading nation except Canada. Average annual increases in hourly manufacturing compensation jumped from 3.6% (1960-64) to 5.8% (1965-69). Average annual gains in productivity, meanwhile, dropped from 4.2% to 2%. Unit labor costs, instead of declining, rose 3.7% per year. Over the 4-year inflationary period of the late 1960s this meant a 12% increase in the unit labor cost of U.S. manufactured goods—the worst performance of any major trading country except Canada.

In short, inflation by itself was not enough to make U.S. exports less competitive in price. But inflation combined with the productivity slippage pushed export prices up for U.S. manufactured goods—and eroded American competitiveness in world markets.

Inflation has had one other side effect, which has also been damaging to the U.S. foreign trade balance. This is the "inflation psychology" of the American consumer. Uncertainties of inflation invariably encourage bargain-hunting, including shopping for competitively priced imported goods. Since inflation got out of control in the late 1960s, the United States has been on an unprecedented buying spree for imported bargains. An excellent case can be made, in fact, that the biggest factor in the 1971-72 U.S. trade deficits was not a U.S. failure to export enough, but rather the enthusiasm with which the American consumer soaked up imports.

- U.S. exports grew at the healthy rate of 9.8% a year (faster than the overall growth of the U.S. economy) during 1966-70. Imports, however, grew during those same years at the phenomenal yearly rate of 13.3%. That alone spelled the difference between a trade surplus at the beginning of the period and the 1971-72 deficits.

Are Imports Eliminating American Jobs?

The AFL-CIO study cited earlier claims; "between 1966 and 1969 U.S. foreign trade produced the equivalent of a net loss of half a million American jobs." A later AFL-CIO pamphlet raises this guesstimate to 900,000 jobs lost by the end of 1971.* Conclusions such as this are based on very shaky economic logic. The original data, compiled by the Bureau of Labor Statistics (BLS, U.S. Department of Commerce) show that about 200,000 new U.S. jobs were created by export-related industries during 1966-69, while 700,000 new U.S. jobs would **theoretically** have been created if the United States had cut off all competitive imports, and had manufactured those goods domestically.

The AFL-CIO study then leaps to the wholly unwarranted conclusion that the difference—500,000 phantom jobs—could actually have been created. And, according to its updated analysis, that another 400,000 phantom jobs could have materialized between 1969 and 1971. This is fallacy on several grounds.

- First, if the United States **had** cut off all competitive imports, it is extremely unlikely U.S. manufacturers could have tooled up to meet this demand.

- Second, cutting off imports would certainly have led to foreign retaliation against U.S. exports, which would have done away with a large number of U.S. export-related jobs.

- Third, it would be inefficient use of labor and capital for the United States to try to become self-sufficient in every area it can. The underlying principle of mutually beneficial trade is that each nation specializes in those types of production in which it is relatively more efficient, and it imports those products which other countries produce more efficiently. This division of labor, based on the principle of "comparative advantage," allows the United States to concentrate on those manufactures (usually capital-intensive, high-technology, high-skill production) where it has maintained an advantage in quality, design or production efficiency.

  On those terms, imports do not eliminate U.S. jobs; rather they free U.S. capital and labor to generate higher-skill and better-paying jobs in fast-growth industries and services.

- Fourth, high unemployment rates in the United States the last few years are the result, not of foreign imports (which account for only 4% of the U.S. gross national product, or GNP), but of the general recession in the domestic U.S. economy (the other 96% of GNP) which failed to provide enough new jobs to meet the needs of the expanding work force.

  The impact of imports on American jobs would be a purely academic question if the American economy were now operating at or near full employment. Since unemployment is high, everyone is looking for a scapegoat for U.S. economic sluggishness. Imports should not take the rap.

Yet imports undoubtedly do displace some U.S. workers, and force capital to shift to other fields of production. However, shifts of this nature occur to a far greater extent as the result of day-to-day competition among companies here at home. These are normal and healthy shifts, as long as the economy is growing fast enough to provide new investment and job opportunities.

Moreover, the impact of imports on jobs is greatest in those U.S. industries which are labor-intensive. When the unit labor cost of a product is great—as in shoes, some types of

*"Almost 1,000,000 Jobs Lost!" Industrial Union Department, AFL-CIO, 1972.

textiles, inexpensive toys, etc.—highly paid U.S. labor (even at minimum U.S. wages) is at a competitive disadvantage with foreign producers, especially the low-wage developing countries. In addition, these marginal U.S. industries are often situated in less industrialized areas of the United States. This is a legitimate social as well as economic problem, and it cannot be ignored.

It is, however, a **domestic** rather than a foreign trade problem. The long-term interests of the United States (and of underindustrialized regions of the country) require a shifting of resources out of marginal, noncompetitive industries, and into higher-technology, higher-skill, better-paying jobs. That's how the U.S. economy achieved world leadership in the past; that's the only way it will regain world leadership and world competitiveness.

This can be accomplished, not by protecting inefficient and noncompetitive industries, but by providing public assistance in retraining and relocating workers, and by providing incentives or assistance for plant modernization and redirection of investment capital. "Adjustment assistance" was provided for the first time in the Trade Expansion Act of 1962, but the provisions were stringent and inflexible. Both FAIR TRADERS and most PROTECTIONISTS agree that the new trade legislation should greatly liberalize and strengthen adjustment assistance, to make it much more workable and effective.

There will also be rare cases where a particular U.S. industry needs temporary shelter from what Representative Mills calls "sudden and disruptive import surges," in order to buy the time necessary to adjust. Under no circumstances, however, should this protection be automatic, mandatory and permanent, as the Burke-Hartke Bill contemplates. In his transmittal message to Congress, cited earlier, President Nixon explains:

"Those who would have us turn inward, hiding behind a shield of import restrictions of indefinite duration, might achieve short-term gains and benefit certain groups, but they would exact a high cost from the economy as a whole. These costs would be borne by all of us in the form of higher prices and lower real income. Only in response to unfair competition, or the closing of markets abroad to our goods, or to provide time for adjustment, would such restrictive measures be called for."

Are U.S. International Corporations "Exporting Jobs" and Undermining U.S. Trade Competitiveness?

Supporters of the Burke-Hartke Bill assume that the U.S. multinational corporations are responsible for many of the current U.S. economic difficulties—trade and payments deficits, high unemployment, and loss of U.S. trade competitiveness. The argument (according to the AFL-CIO study) is in two parts:

- —that U.S. multinational corporations are taking advantage of low foreign wages by "exporting dollars in order to set up shop abroad and to ship the finished products back into the United States";
- —and that these same companies are also entering into "licensing agreements which enable foreign companies to gain the use of American technology—and likewise ship the finished products to the United States."

Neither point can be supported by the evidence. In fact, extensive studies by the U.S. Department of Commerce, the Tariff Commission, and a number of highly respected private research organizations show:

Less than 10% of the production of U.S.-owned foreign plants is shipped to the United States. The main purpose of foreign direct investment is not to "escape" high U.S. labor costs, but to maintain a strong U.S. production and marketing position inside foreign markets and trade barriers. This is an extra dimension of U.S. world economic strength, not a substitution for U.S. exports.

U.S. multinational companies actually contribute a trade surplus in favor of the United States. Exports to their subsidiaries and other foreign customers exceeded company imports by $5.3 billion in 1966, and this grew to $7.6 billion in 1970. It is still growing. The U.S. Tariff Commission has noted that the multinationals "tend to be generators of the larger amount of United States industrial exports." They also contribute in repatriated earnings a net surplus to the U.S. payments balance—$9.5 billion in 1971, which was four times the U.S. trade deficit that year.

These same companies also have a better record than their purely domestic U.S. competitors in rates of new annual investment in domestic plant, in generation of new U.S. jobs, and in average levels of worker compensation, according to studies by the U.S. Department of Commerce and others.

The multinationals, in other words, tend to be the most innovative, progressive, and expansionist of U.S. companies. If these companies were to be restricted and penalized as Burke-Hartke proposes, U.S. workers would suffer—and so would the U.S. trade and payments balances.

Finally, there is no evidence to support PROTECTIONIST fears about the "transfer of our competitive potential" through the export of U.S. technology. In the first place the great majority of the "foreign" customers for U.S. licensing and technology-sharing arrangements are U.S. overseas subsidiaries and affiliates. The technology continues to "work" for the United States, assuring U.S. enterprise a strong competitive position in foreign markets. Second, the United States also benefits by purchasing foreign technology, which provides new and better products—and jobs—for Americans.

Beside, no technology is static or a "secret" which can be hidden permanently from competitors here or abroad. Technological leadership belongs to those who are constantly enriching their research and development in a competitive world market.

How "Fair" Are Current World Trade Rules?

Another simplistic assumption—kind of national myth—is (as described in the AFL-CIO study) that our major trading partners, especially the European Common Market and Japan, "are busily protecting their own interest and closing the doors" to U.S. exports, while the United States, virtually alone in the world, is "maintaining an open door policy" in world trade.

This is a myth because it is out of date on both counts. All major trading countries have by now reduced their postwar tariff barriers to approximately the same levels as the United States. However, a number of nontariff barriers have sprung up around the world, including preferential trading arrangements, export subsidies, variable import levies, and internationally negotiated commodity agreements and export restraints (such as those which "voluntarily" limit steel and textile exports to the United States.)

The United States, however, is not only a victim of these new obstacles to trade; it is also the prime offender. U.S. nontariff trade restrictions—including the "voluntary" export restraints the United States has imposed on other countries—now affect a larger volume of world trade in manufactured goods than the nontariff barriers maintained by Western Europe and Japan.

What matters now is not who's more at fault, but rather how can the world trading system be moved in a more open direction, with "fairer and more effective trading rules" for all? International trade negotiations will begin later this year. What the President needs from Congress is not Burke-Hartke, but the authority to negotiate, on a reciprocal basis, with other nations—and to achieve what Representative Mills has called "a set of principles that are generally accepted as fair and as promoting the maximum feasible expansion of international trade."

Can the United States Still Compete in World Markets?

The United States can compete if it regains its traditional competitiveness in a wider range of exports. This it cannot do if it insists on protecting its least-efficient, least-competitive, lowest-wage industries while neglecting those higher-technology industries where the comparative advantages of American skill and technology are unbeatable. The recent record on this is clear:

U.S. LABOR-INTENSIVE EXPORTS

Ten years ago U.S. trade in these products was roughly in balance—$10 billion each way. By 1972, these exports had increased by two thirds, but imports had grown faster and the deficit was $10 billion. With very few exceptions, the United States cannot hope to improve its competitiveness in labor-intensive production.

U.S. TECHNOLOGY-INTENSIVE EXPORTS

Ten years ago the United States enjoyed a surplus of around $7 billion in this trade. By 1972 this surplus had grown by more than 60%. Imports had more than quadrupled, but U.S. exports had grown three times faster than imports. This is where the great future growth lies—provided the United States maximizes its efficiency in this type of production.

AGRICULTURAL EXPORTS

Whatever the city-dweller's preconception, U.S. agriculture is also a technology-intensive industry. Annual productivity gains in American agriculture have consistently been among the highest of any U.S. industry. Here too the competitive advantage of American efficiency is providing a growing trade surplus—$2.5 billion in 1971. A recent internal study of the Department of Agriculture's Foreign Agricultural Service estimates that current U.S. farm exports of $9 billion could double to around $18 billion a year in 1980, producing a trade surplus of $9 billion—if world agricultural trade were freed of all tariffs, quotas and other restraints.

If the United States is going to regain its trade competitiveness, it must emphasize America's economic strengths, rather than its weaknesses. These strengths are highly skilled, well paid and increasingly productive workers; innovative and aggressive managers with an international rather than a purely domestic outlook; an unmatched technological base and momentum in research and development; vast capital resources that are free to move domestically and internationally wherever they can produce the highest returns in the form of new or better products, more efficient and cleaner production, new jobs, more exports, and profits on investment that can be reinvested in further U.S. economic expansion.

But a successfully competing U.S. economy also requires a world trading environment that is open to freer and fairer international competition. This means that foreign tariff and nontariff barriers, and internal administrative policies which inhibit trade, need to be progressively removed. It also means that U.S. trade barriers will have to come down, on a reciprocal basis with our trading partners.

Trade is inescapably a two-way street. Unless the United States is willing to accept imports on a competitive basis, it cannot expect to sell its exports competitively. PROTECTIONISM, carried to a logical extreme, can result only in an international trade war and the contraction or even collapse of world trade. That is what happened in the 1930s, after Congress passed the very protectionist high-tariff Smoot-Hawley Act.

What Kind of U.S. Trade Bill Will Give Everybody a "Fair Shake"?

A sound U.S. trade policy will be one that maximizes American efficiency, rather than protects American inefficiency; that welcomes competition, rather than runs from it; that opens U.S. markets in return for gaining better access to foreign markets; and that accepts the adjustment costs of doing world business as a normal domestic responsibility.

Most important to you, a sound U.S. trade policy will sustain the purchasing power of the consumer's dollar—at home and abroad—by making the American economy lean, efficient and competitive again in world markets, instead of sheltering it like an invalid, and instead of denying you both free choice and the price benefits of competitive imports.

The American economy has been suffering from the fever of inflation and a few other complications. But it is by no means senile and powerless. With a little more vigor and self-discipline it can again be the youngest, strongest and most competitive economy in the world.

If you agree this is the right course for America to take, write your Senators and your Representative, asking them to vote against PROTECTIONISM and for FAIR TRADE.

NOTE

Extra copies of this pamphlet are available free of charge, postpaid—just fill in this business reply postcard and mail to American Importers Association. Mailing weight of this pamphlet and any covering letter, will be less than one ounce.

I am interested in helping to disseminate this information to others. Please send ________ copies of the pamphlet, "WHO'S RIGHT?"

____
(name)

____
(title)

____
(organization)

____
(address)

____
(city) *(state & zip)*

1978 UPPER MIDWEST WORLD TRADE CONFERENCE

SPONSORING ORGANIZATIONS

Greater Minneapolis Chamber of Commerce
Hennepin County Bar Association
International Studies Center, Hamline University
League of Women Voters
Minnesota Dept. of Economic Development
Minnesota District Export Council
Minnesota International Center
Minnesota World Trade Association
North Central Credit & Financial Management Association
Seaway Port Authority of Duluth
United Nations Association of Minnesota
United States Department of Commerce
University of Minnesota
Agricultural Extension Service
Graduate School of Business
World Affairs Center

WORLD TRADE WEEK INC. OFFICERS

President	E. Norman Eck
1st Vice President	Paul N. Dahlie
2nd Vice President	Franklin C. Jesse
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GENERAL CONFERENCE ADMINISTRATION
Lois M. Finn

MATCHMAKERS CONFERENCE ADMINISTRATION
Sandra R. Jeffers

SPECIAL CONCURRENT PROGRAM

WEDNESDAY, MAY 24, 1978
THURSDAY, MAY 25, 1978

EXPORT MATCHMAKERS CONFERENCE

On May 24 & 25 an Export Matchmakers Conference will be held at the Thunderbird Motel concurrently with other World Trade Week events.

The objective of this Conference is to match manufacturers with exportable products and Export Management Companies (EMCs) handling similar, but noncompetitive product lines. An EMC can become your export department. Your firm would fill orders to your EMC the same as to your domestic distributors. The EMC takes care of all the export details.

Don't miss this opportunity to meet privately with EMCs interested in your product line! This is the first Export Matchmakers Conference to be held in the 5-State area — in fact the first west of Chicago. Come and discover your company's export potential.

Following are the Export Management Companies registered to date:

Eidson Associates, Mpls., MN
Export/Import Managers Co., Mpls., MN
Exportec Corporation, Mpls., MN
Gordon Fennell Co., Cedar Rapids, IA
Gerson Int'l. Corp. Fort Wayne, IN
Int'l. Mktg. Sales Action Co., Mpls., MN
Mantra Inc., Mpls., MN
Merit Export, Wabasha, MN
Midwest-Overseas Trading Corp., Milw., WI
Pillsbury Co., Export Div., Mpls., MN
Siequip Int'l., Inc., Waukesha, WI
Tec Trans Int'l., Inc. Mpls., MN
Wolff Int'l., Inc., Milw., WI

These are examples of product lines of interest to the registered EMCs:

Processed foods
Lumber & wood products
Paper & allied products
Chemicals & allied products
Leather & leather products
Hand tools & hardware
Fabricated metal products
Farm machinery & equipment
Building materials & construction equipment
Material handling equipment
Machine tools
Metalworking & finishing eqpt.
Food processing & pkg. eqpt.
Pumps, valves & compressors
Power transmission equipment
Electronic production & test eqpt.
Machinery, except electrical
Electric energy systems
Communications equipment
Electrical components
Electrical machinery
Transportation equipment
Business equipment & systems
Air & water purification & pollution control equipment
Health care industries equipment
Photographic & optical goods
Sporting & athletic goods

Registration for the Export Matchmakers Conference is $25. Should you care to take part in any of the World Trade Week seminars if your appointment schedule permits, you may do so at a reduced fee of $15.

For more information and/or registration form for the Export Matchmakers Conference contact: U.S. Department of Commerce, 218 Federal Courts Building, Minneapolis, MN 55401; telephone 612/725-2131.

Early registration is advised.

"Indirect Export Marketing — What an Export Management Company Can Do for You"
ROBERT DOYLE, President and
RONALD FINNE, Vice President of Marketing
Tec Trans International Inc.

"Export Assistance from the Federal and State Government"
GLENN A. MATSON, Director, U.S. Department of Commerce, Minneapolis District Office, and
MARK B. DAYTON, Commissioner,
Minnesota Department of Economic Development

"Finance and Credit Management"
ROBERT PETERSON, Vice President and Treasurer
The Toro Company, Minneapolis, Minnesota

"Export Shipping — The Role of Freight Forwarders"
WILLIAM HAWES, Sales Manager
Ray C. Fischer Company, Minneapolis, Minnesota

SESSION III
"Managing Legal Issues Which Arise In International Operations"

CHAIRMAN:
FRANKLIN C. JESSE, JR., Legal Counsel-International
The Pillsbury Company, Minneapolis, Minnesota

PARTICIPATING ATTORNEYS:
DEAN R. EDSTROM, Doherty, Rundle and Butler
Minneapolis, Minnesota

MAYNARD B. HASSELQUIST, Dorsey Law Firm
Minneapolis, Minnesota

RICHARD N. FLINT, Gray, Plant-Mooty-Mooty and Bennett
Minneapolis, Minnesota

MICHAEL MURPHY, International Counsel, Medtronic Inc.
Minneapolis, Minnesota

DOUGLAS G. SCRIVNER, Oppenhiemer, Wolff, Foster, Shepard and Donnelly, Minneapolis, Minnesota

STEPHEN G. SHANK, Secretary and General Counsel
Tonka Corporation, Hopkins, Minnesota

PERRY SIMSON, Clifford-Turner
London, England

This discussion session will not attempt to provide substantive answers to specific legal issues, but will rather consider approaches to the systematic resolution of legal problems as they arise in international operations. Among other issues discussed will be approaches to analyzing forms of doing business, protection of industrial know-how, participation of foreign investors, government regulations, mechanisms for resolution of disputes and repatriation of profits.

5:00 P.M.
General Conference Reception

HOSTED BY THE SEAWAY PORT AUTHORITY OF DULUTH

6:00 P.M.
General Conference Banquet

CHAIRMAN:
PAUL L. PARKER, Honorary Conference Chairman
Executive Vice President, General Mills Inc., Minneapolis, Minnesota

Introduction of Banquet Speaker:

THE HONORABLE WILLIAM FRENZEL, U.S. Congressman
Minnesota Third District, Washington, D.C.

ADDRESS:
"Direction and Initiative of U.S. International Trade Policy"

THE HONORABLE AMBASSADOR ALAN W. WOLFF,
Deputy Special Trade Representative for the United States,
Washington, D.C.

GENERAL INTERNATIONAL BUSINESS SESSION

Thursday, May 25, 1978

8:00 A.M.
Breakfast Session

"International Credit and Financial Roundtable"

CHAIRMAN:
E. NORMAN ECK, Executive Vice President
North Central Credit & Financial Management Association
Minneapolis, Minnesota

ROUNDTABLE PANELISTS:
ROBERT E. BUNKER, International Administration Manager
Tennant Company, Minneapolis, Minnesota

EDWARD J. HOYT, Vice President, Credit Services
Drake America Corporation, New York, New York

GLENN A. MATSON, Director, U.S. Department of Commerce
Minneapolis District Office, Minneapolis, Minnesota

DHARANI P. NARAYANA, Vice President-International
Banking Division, Northwestern National Bank of Minneapolis
Minneapolis, Minnesota

W. ROBERT WHITE, Vice President, North Central Regional
Office, Foreign Credit Insurance Association
Milwaukee, Wisconsin

9:45 A.M.
Coffee Break

10:00 A.M.
"Domestic Employment — Free Trade, Fair Trade or Protectionism?"

CHAIRMAN:
ROGER B. UPSON, Professor and Associate Dean,
College of Business Administration, University of Minnesota
Minneapolis, Minnesota

SPEAKERS:
BENJAMIN A. SHARMAN, Grand Lodge Representative,
International Affairs, International Association of Machinists and Aero-Space Workers, AFL-CIO
Washington, D.C.

KENNETH FROSLID, Vice President Public Relations,
3M Company, St. Paul, Minnesota

PANEL OF QUESTIONERS:
HAROLD CHUCKER, Associate Editor,
Minneapolis *Star*, Minneapolis, Minnesota

PAT LLONA, League of Women Voters
Minneapolis, Minnesota

THE HONORABLE ROGER LAUFENBURGER, Minnesota
State Senator, District 34
Lewiston, Minnesota

11:15 A.M. CONCURRENT SESSIONS

SESSION I
"Careers in World Trade"

CHAIRMAN:
BONNIE J. NEUBECK, International Planning Manager
The Tennant Company, Minneapolis, Minnesota

SPEAKERS:
GRAHAM HATCHER, Director of Personnel, International Division, The Pillsbury Company
Minneapolis, Minnesota

JAMES L. STOTT, JR., Vice President and Manager,
International Banking Department, First National Bank of Minneapolis, Minneapolis, Minnesota

BECKY VISKA, Export Sales Assistant
International Multifoods Corporation, Minneapolis, Minnesota

SESSION II
"Minnesota International Tax Roundtable"

CHAIRMAN:
J. PATRICK KITTLER, Attorney at Law
Minneapolis, Minnesota

The objective of this session is to organize Minnesota International Tax Roundtable bringing together professional tax people who devote a substantial part of their working lives to the problems of international taxation and who are interested in sharing experiences and knowledge with their professional colleagues.

12:00 NOON
Reception

Sponsored by THE PORT OF NEW ORLEANS

12:30 P.M.
Luncheon

CHAIRMAN:
PAUL L. PARKER, Honorary Conference Chairman
Executive Vice President, General Mills Inc.
Minneapolis, Minnesota

Presentation - WORLD TRADER OF THE YEAR AWARD

PAUL STRAND, President
Minnesota World Trade Association and
Assistant Treasurer, MTS Corporation
Minneapolis, Minnesota

ADDRESS:
"Multi-National Corporations and the Free World Economy"

SPEAKER:
TERRANCE HANOLD, President, The Arter Company and
Former President and Chairman of The Executive Committee
The Pillsbury Company, Minneapolis, Minnesota

2:00 P.M.
Conference Adjourns

Program and Registration Information

16TH ANNUAL UPPER MIDWEST WORLD TRADE CONFERENCE

May 23 - 25, 1978
Thunderbird Motel
Bloomington, Minnesota

"Free Trade Means Jobs"

World Trade Week, Inc.
330 Plymouth Building
Minneapolis, Minnesota 55402

On behalf of the sponsoring organizations of World Trade Week Inc. I want to invite you to join us for the 16th Annual Upper Midwest World Trade Conference at The Thunderbird in Bloomington, Minnesota, May 23-25, 1978.

There are many critical and pressing issues concerning the present and future importance of World Trade to the United States and the Upper Midwest. World Trade Week Inc., a non-profit, volunteer organization is dedicated to promoting a better understanding of the significance of International Trade to Agriculture and Business as well as the general public and the Academic Community. The 1978 program's primary purpose is to present and discuss the most important issues which are primary to the continued economic stability, growth and well-being of the American people and people worldwide.

THE TWO AND ONE-HALF DAY PROGRAM IS divided into 2 primary sections:

- May 23, 1978 - Agricultural Trade Policies and Programs
- May 24-25, 1978 - General International Business

We encourage you to register for the entire Conference so that you may get a complete prospective on all facets of International Trade which are relevant to the Upper Midwest area.

WHO SHOULD ATTEND?

- Key Corporate Officers of large and small companies.
- Executives involved in International Marketing, Credit and Financial Activities.
- Representatives of Agriculture, Organized Labor, and the Academic Community.
- Attorneys, Accountants and others involved in the legal and financial aspects of World Trade.
- Transportation Executives.
- The Entire Business Community and the General Public.

We are hopeful that each of you will be with us for this important area Conference.

E. Norman Eck

E. Norman Eck
President
World Trade Week, Inc.

AGRICULTURAL TRADE POLICIES AND PROGRAMS DAY

(Schedule of Sessions)

Tuesday, May 23, 1978

7:00 A.M.
Registration (Second Floor Lobby)

7:30 A.M.
Opening Conference Breakfast

8:15 A.M.
Call to Order and Introduction of Conference Honorary Chairman

E. NORMAN ECK, President, World Trade Week Inc.
Executive Vice President, North Central Credit & Financial Management Association, Minneapolis, Minnesota

Welcome to 16th Annual Upper Midwest World Trade Conference

PAUL L. PARKER, Honorary Conference Chairman
Executive Vice President, General Mills Inc.
Minneapolis, Minnesota

CHAIRMAN — AGRICULTURAL PROGRAM:
PROFESSOR LUTHER J. PICKREL
Agricultural Extension Service
University of Minnesota, Minneapolis, Minnesota

"Proposed Restructuring of Midwest Railroads: Implications for Agricultural Exports"

SPEAKER:
ROBERT GALLAMORE, Deputy Administrator
Federal Railroad Administration
U.S. Department of Transportation, Washington, D.C.

"U.S. Agricultural Trade: Outlook and Policy Issues"

SPEAKER:
TURNER OYLOE, Assistant Administrator
Foreign Agricultural Service
U.S.D.A., Washington, D.C.

10:15 A.M.
"U.S. Trade Policies as They Affect Exporters in Other Countries"

SPEAKER:
AMBASSADOR MERWYN NARRISH
New Zealand

"Why Do West European Countries Erect Trade Barriers Against U.S. Agricultural Exports?"

SPEAKERS:
HERMAN DE LANGE, European Economic Community
KENNETH OGREN, U.S. Representative O.E.C.D. Trade Conference
Washington, D.C.

11:45 A.M.
Reception

12:30 P.M.
Luncheon

ADDRESS:
"U.S. Commodities in World Trade — Problems and Prospects"

SPEAKER:
MEL MIDDENTS, Vice President
Cargill Inc., Minneapolis, Minnesota

2:00 P.M.
"The Commodities — A Roundtable Discussion"

CHAIRMAN:
DR. EDWARD SCHUH
Deputy Assistant Secretary, USDA
Washington, D.C.

"Dairy and Livestock Products"

SPEAKERS:
HARVEY EBERT, Executive Vice President
Land O' Lakes, Inc., Minneapolis, Minnesota

WILLIAM McMILLEN, American Cattlemen's Association

"Feed Grains and Soybeans"

SPEAKERS:
JOSEPH HALOW, North American Export Grain Association
KENNETH BADER, American Soybean Association

"Wheat: Increasing Our Share of World Markets"

SPEAKERS:
DONALD J. NOVOTNY, USDA, Washington, D.C.

MICHAEL HALL, President, Great Plains Wheat Growers Assn.

4:00 P.M.
"A Summation"

By

DR. EDWARD SCHUH

4:30 P.M.
General Conference Reception

GENERAL INTERNATIONAL BUSINESS PROGRAM

Wednesday, May 24, 1978

8:00 A.M.
Registration (Second Floor Ballroom Lobby)

9:00 A.M.
Call to Order and Introduction of Conference Honorary Chairman

E. NORMAN ECK, President, World Trade Week Inc.
Executive Vice President, North Central Credit & Financial Management Association, Minneapolis, Minnesota

Welcome to 16th Annual World Trade Conference

PAUL L. PARKER, Honorary Conference Chairman
Executive Vice President, General Mills Inc.
Minneapolis, Minnesota

Keynote Address

"The United States and World Trade 1978"

THE HONORABLE FRANK A. WEIL, Assistant Secretary for Industry and Trade, U.S. Department of Commerce
Washington, D.C.

10:00 A.M.
Coffee Break

10:15 A.M.
"Economic, Political, and Business Conditions Affecting U.S. Exporters"

CHAIRMAN:
George H. Dixon, President
First Bank System Inc.
Minneapolis, Minnesota

SPEAKERS:

"Impact of Economic Conditions"
ALFRED C. HOLDEN, Vice President-Market Development & Economics
Foreign Credit Insurance Association, New York, New York

"World Market Prospects"
THOMAS A. REED, Vice President — International
Honeywell Inc., Minneapolis, Minnesota

"Significant World Political Factors"
TO BE ANNOUNCED

Question and Answer Session

11:00 A.M.
"Welcome from the State of Minnesota"
THE HONORABLE RUDY PERPICH, Governor
State of Minnesota

11:45 A.M.
Reception

12:30 P.M.
Luncheon Session

CHAIRMAN:
PAUL N. DAHLIE, Vice President-International
First National Bank of Minneapolis
Minneapolis, Minnesota

ADDRESS:
ROBERT McLELLAN, Vice President
International and Government Relations
FMC Corporation, Chicago, Illinois

2:00 P.M. CONCURRENT SESSIONS

SESSION I

"Person to Person Communications in World Trade"

CHAIRMAN:
DR. WILLIAM C. ROGERS, Director, World Affairs Center
University of Minnesota, Minneapolis, Minnesota

SPEAKER AND PROGRAM COORDINATOR:
WILLIAM S. HOWELL, Ph.D., Professor of Speech-Communication, University of Minnesota
Minneapolis, Minnesota

SESSION II

"Fundamentals of Exporting"

CHAIRMAN:
GLENN A. MATSON, Director, U.S. Department of Commerce
Minneapolis District Office, Minneapolis, Minnesota

SPEAKERS:

"Why Export?"
GARY G. HAUPTMAN, Executive Vice President
Advance International Inc.

"Direct Export Marketing — Concepts and Channels of Distribution"
DR. BASIL JANAVARAS, Associate Professor, Marketing & International Business
Mankato State University, Mankato, Minnesota

(Continued on reverse side)

1978 UPPER MIDWEST WORLD TRADE CONFERENCE REGISTRATION FORM

Mail to: World Trade Week Inc.
330 Plymouth Building
Minneapolis, Minnesota 55402

Enclosed is a check in the amount of $ ________ for the 16th Annual Upper Midwest World Trade Conference at the Thunderbird Motel, Bloomington, Minnesota, to be held May 23-25, 1978.

Individual Registration Fees

____ Entire Program (3 luncheons, 1 banquet, 2 breakfasts) $90.00 each
____ Entire Program, excluding Agricultural Day, May 23, 1978 (2 luncheons, 1 banquet, 1 breakfast) $65.00 each
____ Agricultural Program Only, May 23, 1978 (1 luncheon, 1 breakfast) $30.00 each
____ All Business Sessions Only (no meals) $40.00 each
____ Luncheon, May 23, 1978 $15.00 each
____ Luncheon, May 24, 1978 $15.00 each
____ Luncheon, May 25, 1978 $15.00 each
____ Banquet, May 24, 1978 $20.00 each
____ Breakfast, May 23, 1978 $10.00 each
____ Breakfast, May 25, 1978 $10.00 each
____ Students (Business Sessions Only) $5.00 each

*COMPANY REGISTRATIONS

____ Business Sessions Only, No Limit on Company Participants — $300.00
____ Entire Program, Including all Meals — Limit of eight (8) participants — $500.00

*NAME ____________
NAME ____________
NAME ____________
COMPANY ____________
ADDRESS ____________
CITY ____________ STATE ________ ZIP ________

*COMPANY REGISTRATIONS — PLEASE ATTACH A LIST OF NAMES OF PARTICIPANTS.

MAKE CHECKS PAYABLE TO AND MAIL TO:

WORLD TRADE WEEK INC.
330 PLYMOUTH BUILDING
MINNEAPOLIS, MINNESOTA 55402

ADVANCE ROOM RESERVATION FORM

Mail to:
The Thunderbird Motel
2201 East 78th Street
Bloomington, Minnesota 55420
Phone: (612) 854-3411

Minnesota World Trade Conference
May 23, 24, 25, 1978
Single Room: $28.50 + tax
Twin Room: $33.50 + tax

Name ____________ Address ____________
City ____________ State ____________ Zip Code ____________
Accommodations Desired ____________ Single(s) ____________ Twin(s) ____________
Arrival Day and Date ____________ Departure Day and Date ____________
Company Name and Address (If Applicable) ____________

IMPORTANT NOTE: RESERVATIONS ARE CANCELLED AT 6 P.M. ON THE DAY OF ARRIVAL UNLESS THE THUNDERBIRD RECEIVES AN ADVANCE DEPOSIT OF $30.00 FOR EACH ROOM RESERVED.

NOV 27 1978

League of Women Voters Education Fund • 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 659-2685

memorandum

TO: State League Presidents with copy for International Relations Chairs
FROM: Ruth Robbins, International Relations Chair
DATE: November 21, 1978

I am writing to extend an invitation to your state board to select a League leader from your state to attend a national trade conference the League of Women Voters Education Fund is holding April 5-7, 1979 at Wingspread, the Johnson Foundation Conference Center in Racine, Wisconsin. This national conference is the first step of a trade education outreach project which will consist of State League trade education projects. The money contributed to the trade education project by a wide variety of donors will fund the national conference and will provide $500 pass-through, seed money to all state Leagues, the District of Columbia, Puerto Rico and the Virgin Islands for their projects. The League leader selected to attend the February conference should be prepared to develop and direct the state League project.

The Conference: The purpose of the national conference is 1) to give League leaders substantive information on how trade affects the world economy; how trade affects the U.S. economy; how our trading partners view trade issues and problems; how various sectors in the U.S. economy view trade issues; and how U.S. trade policy is shaped.
2) to provide an opportunity to become familiar with and experiment with an educational technique that each League will be required to use as the first phase of its project. The technique is a "consultative group process," and its purpose is to bring together individuals with conflicting points of view and engage them in a discussion about trade.
3) to provide League leaders with an opportunity to discuss innovative and creative ideas for state League projects that successfully reach out and educate the public and involve those who are the decision-makers in trade policy.

The Project: The first stage in the national project is the conference. Following the conference, League leaders will develop a project for their own states, bearing in mind the overall purpose of the trade education project: 1) to identify gaps in information/understanding of trade issues among the public and run a project designed to fill those gaps (to be done by each League's developing a project around the theme of its state's stake in world trade); 2) to begin to build a climate for ongoing discussion and interaction, especially among public opinion constituency leaders and decision-makers; and 3) to develop techniques for an educational (as opposed to polemical) exchange of conflicting viewpoints.

To help Leagues fulfill these goals, the following steps will be required of each League: Following the national conference, but prior to submitting project proposals, the project director will interview public opinion constituency leaders (for example, representatives from agriculture, labor, industry, public interest/consumer groups) to identify what they consider the major trade issues to be; the ways in which they could be addressed; how U.S. policy should be formulated to address their concerns; and in what ways the League project could be designed to reach the public. After receiving their input, the project director will draw up a project proposal for submission to the national IR Committee.

The second required step will occur after approval of the project and receipt of the seed money. It will be the first formal phase of each state's project. The project director will bring together those constituency leaders she has already interviewed for a consultative group discussion of trade issues. The purpose of this group session is to generate a learning experience for all and to contribute to a better understanding of various points of view. It will also serve to strengthen conditions that encourage on-going interaction (in other words to move away from what is so often prevalent: that is those who share common beliefs "only talking to each other"). Leagues will receive assistance at the national conference to carry out this consultative process. Dr. Jon Kinghorn of the Kettering Foundation is an expert in this field and will explain the process, answer questions and conduct a session with Conference participant experts from labor, industry and agriculture. League participants will also break up into groups to conduct mock consultative sessions among themselves with each person assuming a different sectoral role.

League project directors will be receiving instructions and interview and group session formats to follow in carrying out these requirements.

To help you and your board select your conference participant/project director, the following factors should be considered:

*Before the April conference the participant must be prepared to compile a state economic profile. The profile should identify the major economic sectors for the state; contain information on make-up and volume of imports and exports; estimate the number of jobs dependent on trade (both import and export-related); identify the firms and workers that are receiving adjustment assistance (as a way to get a handle on those being injured by imports). To help you with this profile we will be receiving and will send you information compiled by the Commerce Department's Office of Trade Analysis that gives state figures for agricultural and manufactured exports. Other sources of information are Chambers of Commerce; state government offices that work on economic development; state offices of the U.S. Department of Commerce. Statistics on firms receiving adjustment assistance by state are available from Mr. Jack Osburn, Trade Act Certification Division, Room 6022, Department of Commerce, Washington, D.C. 20230. Information on numbers of workers receiving adjustment assistance and numbers of workers by industry in a given state is available by writing to Mr. Harold Bratt, Room S5303, Office of Trade Adjustment Assistance, Department of Labor, 3rd and Constitution, N.W., Washington, D.C. 20210. Please note that the offices providing information on adjustment assistance are not able to give you information on the total number of people in the workforce or total number of firms operating in your state. That information should be available from your state government.

*The participant should be familiar with the issues to be considered.

*The participant should have experience in working on International Relations for the League (state or local) and should have already demonstrated an ability to communicate with the public.

*The participant should show promise of further developing her capabilities as a League leader.

Conference facilities and funds allow for a maximum of 70 participants. State Leagues, Washington, D.C., Puerto Rico and the Virgin Islands are invited to send one participant each.

We will be able to cover most of the expenses of League participants. The Johnson Foundation is providing conference facilities at Wingspread, including luncheons and dinners. Contributions from several corporations and organizations will make it possible for the League to provide lodging for all participants. We will also defray 85% of the transportation costs for the 53 Leagues involved.

Enclosed is a registration blank which should be returned as soon as possible. Registrations will not be accepted if they arrive after February 1, 1979.

If you have any questions please write Joan Twiggs, International Relations Department, League of Women Voters Education Fund, 1730 M Street, N.W., Washington, D.C. 20036.

Looking forward to seeing you at Wingspread.

League of Women Voters Education Fund
1730 M Street, N.W.
Washington, D.C. 20036

REGISTRATION BLANK

FOR

INTERNATIONAL TRADE CONFERENCE

April 5-7, 1979

The League leader to attend the symposium will be:

name: ____

league function: ____________________________________
(specify whether state or local level)

address: ____
(street)

____
(city) (state) (zip)

telephone: ____
(area code)

Member of: ____
(local league)

PLEASE RETURN THIS REGISTRATION TO THE INTERNATIONAL RELATIONS DEPARTMENT, LEAGUE OF WOMEN VOTERS EDUCATION FUND BY FEBRUARY 1, 1979.

League of Women Voters Education Fund • 1730 M Street, N.W., Washington, D.C. 20036 Tel. (202) 659-2685

memorandum

OCT 30 1978

THIS IS NOT GOING ON DPM

October 17, 1978

TO: State and Local League Presidents (attn. IR chairs)
FROM: Ruth Robbins, International Relations Chair
RE: World Development Report, 1978

Enclosed is the first of a series of reports to be issued annually by the World Bank: World Development Report, 1978. It is being provided free-of-charge by the World Bank and mailing costs have also been underwritten by the Bank.

Please be sure to pass this report along immediately to your IR chair or person responsible for the IR portfolio. It provides the latest statistics on health, education, production, exports, etc. in the less-developed countries. It also identifies international policy issues such as the LDC's need for access to markets for their products. In addition it gives regional information about low-income Asia and sub-Saharan Africa. In short, it contains a wealth of information that is indispensable for keeping up with what is happening in the developing world.

Pat
Thought you should have this right away, so I didn't take time to read it but I'd like to see it later.

Helene

Helene - I started to read this. It has a lot in it that I already have from a World Bank booklet my husband brought back from Switzerland. After you read this, I'll go into it in depth.
Pat.

JAN 2 1979

League of Women Voters Education Fund •1730 M Street, N.W., Washington, D.C. 20036 Tel. (202) 659-2685

memorandum

January, 1979

TO: State League Presidents with copy for International Relations Chairs
FROM: Ruth Robbins, International Relations Chair
RE: Trade project memo of November 21

1) Please note that the reference to a February meeting in the last line of the first paragraph of the memo is a typographical error. The sentence should read: "The League leader selected to attend the April conference should be prepared to develop and direct the state League project." We apologize for any confusion this error caused.

2) A number of you have called the national office for clarification of the constituency leader interviews and group sessions. We realize that attempting to interview leaders of organizations/special interest groups and then bring them together from throughout the state would not be feasible in most states. Therefore what we suggest is that you interview people in a metropolitan area or the state capital; they would then all be in the same place for the group session. Please note also that the interviews should be done in person and that the group session should not exceed 7 people, including the League leader (i.e. 6 people plus the project director).

3) Overall timetable. Exact dates are still tentative, but in general the timetable is as follows: by February 1, the national office must have received your League's conference participant/project director's name; April 5-7,1979 is the conference at Wingspread; following the April conference, Leagues will have approximately two months to interview constituency opinion leaders and submit project proposals to the national International Relations Committee; the summer months will be for more planning and fundraising; most projects will probably get underway in full swing in the fall; final reports to the national office will be due in mid-March 1980. So in general the project will run for about a year.

You will be receiving a more definite timetable at the conference.

Finally one note about fundraising for state League projects: each state League will be responsible for raising funds above and beyond the $500 seed money pass-through grant. The size and scope of the state League project will, of course, determine the size of your budget.

I hope this memo has clarified these points for you.

Judy M — please return to HB

JAN 20 1979

League of Women Voters of the United States 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 296-1770

news release

Contact
Betsy Dribben
Public Relations Director
296-1770 ext. 263

FOR IMMEDIATE RELEASE
THURSDAY, JANUARY 25, 1979

Washington, D.C.--League of Women Voters of the U.S. president Ruth J. Hinerfeld said today that the League expects to give its full support to the Multilateral Trade Negotiations (MTN) when the agreement reaches the Hill in early spring.

In remarks prepared for delivery at the Chamber of Commerce Washington D.C. conference on MTN, Hinerfeld said:

"If the final package measures up to our expectations that it will serve the best interests of this country and its citizens--and we believe it will--the League of Women Voters will support the MTN agreement and its implementing legislation."

Hinerfeld went on to say that the MTN "would be a top priority of the League" and League action would include lobbying Congress, testifying on the Hill and educating the public on the MTN.

In speaking on behalf of the 131,000 member organization which has been at the forefront of liberalizing trade policies for nearly 50 years, Hinerfeld said:

"On the League's scale political and economic interests of the U.S. are best served by a trade policy which paves the way for political harmony among nations, stimulates economic development at home and abroad and expands consumer choice. The hoped for results of the Geneva negotiations will, the League believes, serve these ends."

The League's national president told the audience of more than 400 international lawyers, business representatives, trade association and civic group representatives that the MTN will lay the groundwork "for dealing not only with present trade problems, but also those of the future."

MORE

She said the MTN would:

- provide valuable export opportunities to business and agriculture
- establish a positive alternative to the spectre of trade warfare
- serve as a badly needed escape valve for the pressure of inflation.

She added that the League would also push for "a more effective trade adjustment assistance program" to help those adversely affected by MTN measures. "A good program can provide prompt and effective assistance without damage to our foreign relations and at a lower cost to the economy than import restrictions," Hinerfeld said.

The League president also told those gathered that it was vital that the League, other concerned groups and individuals undertake a political education campaign on the Hill since "nearly half the members of Congress have never voted on any major trade legislation." The League plans to launch this campaign by pushing for approval of the countervailing duty waiver extension bill. She said that effective political education would help offset the strong pressure which is likely to be placed on legislators by those who believe in the quick fix of trade restrictions for present economic difficulties."

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Reporters please note: complete text of speech is attached.

League of Women Voters of the United States 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 296-1770

news release

Speech by
Ruth J. Hinerfeld, President
League of Women Voters of the U.S.
National Conference on the Multilateral Trade Negotiations
sponsored by the Chamber of Commerce
Washington, D.C.
January 25, 1979

My role as the lead-off speaker on this panel is one that the League of Women Voters has had the courage, the burden, and perhaps the presumption, to play for approximately 50 years. It has always been our role to speak for the national interest on the subject of international trade in the public dialog and in the governmental process whereby US trade policy is formulated. My mission today...the League's mission today...is to weigh the expected results of the MTN on the scale of the general good... the public interest.

On the League's scale, the political and economic interests of this country and of its citizens, collectively and individually, are best served by a trade policy which paves the way for political harmony among nations, economic development at home and abroad and consumer choice.

The hoped-for results of the Geneva negotiations will, the League believes, serve these ends.

The 131,000 members of the League are not experts on customs valuation, subsidies, product standards or particular products or sectors. Living in every state and nearly every Congressional district in the country, we are workers, merchants, professionals, officials, farmers, wives and mothers, husbands and fathers and- like everyone else- consumers.

It was, in fact, during a consumer study of inflation in the late 1920s that the League first became interested in the subject of trade. League members were impressed by the extent to which customs duties and other trade restrictions caused higher prices for the consumer.

That was just the beginning of our involvement in trade issues. Events following passage of the Smoot-Hawley Act in 1930 convinced League members that trade is closely linked with domestic and international politics... Smoot-Hawley's beggar-thy-neighbor policies led other nations to retaliate with similar restrictions, US and world trade shrank to a fraction of what it had been and deteriorating political relations exacerbated the still unhealed wounds of World War I.

Since that time, the League has periodically reexamined the relationship between US trade policies and changing patterns of international commerce, most recently in a study concluded in 1973. Bolstered by these periodic re-evaluations and other studies which yielded positions favoring East-West trade and non-reciprocal trade concessions for developing nations, the League has been at the forefront of every debate on every major piece of trade legislation, always coming out strongly for measures that are trade expansive rather than trade restrictive.

The League vigorously supported the Trade Act of 1974, not because we considered it a flawless piece of legislation, but because we saw it as the only vehicle available through which the United States could play an international role commensurate with its economic position in the world, its longstanding commitment to the expansion of international trade and the leadership role it would have to assume to staunch the worldwide proliferation of protectionist practices. In that Act, Congress gave the President not only the authority to negotiate tariff reductions, but, also for the first time, authority to deal with non-tariff barriers and other unfair trade practices.

The results of that negotiating authority are now emerging in the agreements that have been painstakingly hammered out in Geneva. Many fine points remain to be settled; and the League of Women Voters, like all of you, is eagerly awaiting the final package. If, as I have said, that final package measures up to our expectation that it will serve the best interests of this country and its citizens - and we believe it will - the LWV will support the MTN agreement and its implementing legislation. We shall, as we have done so often in the past, testify on its behalf, lobby the Congress, educate the public and develop community support. It will be a top priority for the League.

The results of the MTN may not be perfect. The product of negotiations among 98 nations, each with special interests and needs, rarely is. However, MTN negotiators have made headway on problems that previous generations of negotiators failed to resolve...or even tackle. And our own negotiating team, led by Amb. Strauss, exercised the initiative and tenacity which were, in no small part, responsible for this outcome.

In addition to the forthcoming agreement on tariff reductions, the Geneva package will offer us, for the first time, an opportunity to contain and control the non-tariff barriers that present the most significant restraints to international trade today. What we know of the codes on subsidies, safeguards, standards, customs valuation and government procurement indicates that the US has much to gain. Customs valuation procedures and licensing requirement will be made more uniform, standard-setting and government procurement procedures will be opened up, and trade-distorting subsidy practices will be restrained.

By increasing export opportunities for agricultural and other products, billions of dollars of US goods and services will gain entry to foreign markets. By making possible a greater choice and lower priced goods, US consumers, particularly low income consumers, will benefit.

By developing an improved, workable mechanism for information sharing, consultation and dispute settlement, and by establishing rules for trade that can be impartially monitored and resolved, the MTN will have laid the groundwork for dealing not only with present problems, but those of the future as well.

By providing a positive alternative to the spectre of trade warfare and international economic chaos; by encouraging the shift of resources to the most dynamic sectors of the economy; by formalizing special concessions to developing countries which are and must be increasingly significant trading partners; and by permitting the import competition that is badly needed as an escape valve to the pressures of inflation that afflict us all, the MTN agreement will, in the League's view, be solidly in the public interest.

This is not to say that everyone will benefit. We know there will be workers, firms, industries and communities that are adversely affected. Because we are fair trade realists, not free trade idealists, the League recognizes that selective, temporary safeguards may be necessary to allow industries severely injured by a rapid influx of imports the time to adjust.

More importantly, the League believes that no single group of workers or sector of our economy should be made to pay the costs of trade policies which benefit the nation as a whole. We believe that a more effective adjustment assistance program is the keystone of a policy that promotes trade expansion. We believe, too, that a good program should and could provide prompt and effective assistance without damage to our foreign relations and at a lower cost to the economy than import restrictions.

And, in this next session of Congress, we will continue to press for improvement in the present program.

There are, however, affected industries- large and small, concentrated in certain geographical regions or spread widely through the US- as well as many members of the public for whom the quick fix of sweeping protectionism is a more acceptable solution to import competition. Their influence on the members of Congress will be hard to overcome, as evidenced by last session's vote on the Hollings amendment to exclude textile tariffs from the negotiating process.

When the 96th session of Congress begins its consideration of the proposed trade agreement, it will weigh--as it should--many competing interests.

Members of Congress need to know the facts about trade in general, and the MTN in particular. They need to understand that international trade policy should be based on the public interest, not on special or sectional interests. They need to realize how vital the MTN agreement is to the US. When one considers that close to half the members of this Congress have never voted on any major trade legislation, and that the discipline of political party and the congressional system can no longer be counted on, it is obvious that there's a need for a major political education campaign...a campaign starting with the countervailing duty waiver extension bill, which will be the first test--and, if it is not passed, probably the only test--of Congressional will on the MTN agreement.

The League will work hard to inform and persuade members of the public and the Congress. Amb. Strauss will work hard to persuade and convince the public and Congress. So will many of you. But we cannot do it alone. We will need all the allies we can get: the farmers who export one-third of their crops, that one-sixth of the American workforce whose jobs are export-related, consumers looking for their shrunken dollar's worth, all those who recognize that a strengthened framework for international trade translates into economic growth and greater political stability.

In the trade campaign that lies ahead, we will need all who believe, as the League believes, that the MTN agreement will, when completed, serve the public interest of the United States, and serve it well.

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A quick reference aid on U.S. foreign relations
Not a comprehensive policy statement
BUREAU OF PUBLIC AFFAIRS ▪ DEPARTMENT OF STATE

January 1979

US ECONOMIC AND COMMERCIAL RELATIONSHIPS WITH TAIWAN

1. Background: In recent years Taiwan, with a population of slightly over 17 million, has had one of the world's most successful developing economies. Per capita income has grown from subsistence levels in the early 1950s to about $1,200 in 1978. Enlightened policies have fostered the rapid development of economic and social infrastructure. A strong private sector has prospered along with many major public sector enterprises. The economy has shifted from an agricultural to an industrial base, and exports of light manufactured goods have made the island an important factor in world trade. This swift economic transformation is reaching virtually every stratum of society. Even by developed country standards, income distribution is remarkably equitable.

   Taiwan's gross national product in 1978 was about $22 billion, while its real rate of economic growth during the year was estimated at 13%. Foreign exchange reserves are sufficient to pay for six months of imports. Life expectancy and literacy have nearly attained the levels of Western countries.

   The US has contributed to Taiwan's economic growth and modernization more as an important export market than as a source of foreign aid. Total US economic assistance to Taiwan from 1949, including grants, loans, and food aid, amounted to only about $1.7 billion, or roughly one-third of our 1978 imports from Taiwan. The USAID mission in Taipei closed in 1965.

2. Current economic relations with the US: Trade and other ties between Americans and the people on Taiwan have been increasing substantially in recent years. Taiwan is now among our top 10 trading partners; in East Asia, it is second only to Japan.

   - Total US trade with Taiwan in 1978 is estimated at $7.3 billion. Our exports to Taiwan are less than half the value of our imports from the island, making the growing US trade deficit with Taiwan a serious problem. The US accounts for almost one-third of Taiwan's total trade and provides a market for 40% of its exports. Taiwan's worldwide exports comprise 48% of GNP; exports to the US are 19% of GNP.
   - American investment in the island, based on Taiwan data, exceeds $550 million, or 30% of total foreign investment there. US companies have concentrated investments in the electrical and electronics, chemicals and plastics, and banking and other service industries. Many leading firms, such as Ford, IBM,

Goodyear, RCA, Zenith, and Texas Instruments, have investments on the island, and over a dozen US banks are represented in Taipei.

- The Export-Import Bank, with loans and guarantees totaling almost $1.8 billion, has its third highest exposure worldwide in Taiwan. Overseas Private Investment Corporation (OPIC) exposure in Taiwan is nearly $140 million.
- In December 1978 a bilateral trade agreement was concluded with Taiwan. We obtained important tariff and non-tariff concessions to balance those that Taiwan, a beneficiary of most-favored-nation treatment, will receive from us following conclusion of the current round of multilateral trade negotiations in Geneva. We have other agreements with the Taiwan authorities that restrict exports to this country of various categories of textiles, footwear, and color TVs.

3. Future economic relations with Taiwan: US diplomatic ties with the People's Republic of China (PRC) and the end of official relations with Taipei are not expected to have much effect on the US economic relationship with Taiwan. The growth in Taiwan's trade with other countries was not interrupted by severance of relations. In fact, Taiwan's two-way trade with Japan, Canada, Australia, and other countries has since multiplied several times.

In announcing the decision to recognize and establish diplomatic relations with the PRC, President Carter stressed that commercial, cultural, and other relations will be maintained with the people of Taiwan. Leaders of the large resident US business community have publicly expressed their intention and that of their companies to remain in Taiwan.

The staff of the former US Embassy at Taipei will continue to function unofficially through February 1979. Thereafter, American economic and commercial interaction with the people of Taiwan will be facilitated through a nongovernmental institute. The institute, headquartered in Washington, will establish offices in Taiwan to provide essential services to businessmen and others.

Taiwan's future economic well-being will, therefore, be affected little by the loss of governmental ties with the US. It depends rather on the health of the world economy and the ability of major trading partners -- especially the US -- to keep protectionist forces under control. As the island's industry moves from light manufactured goods to more sophisticated production, its people will have to learn to compete in export markets long dominated by the more advanced economies of North America, Western Europe, and Japan.

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January 1979

ECONOMIC POLICY: US GENERALIZED SYSTEM OF TARIFF PREFERENCES

1. Background: The first substantive discussion of the concept of generalized preferences for the developing countries occurred in 1964 at the initial UN Conference on Trade and Development. In 1970, agreement on a generalized system of preferences (GSP) was reached. Since then, the industrialized countries have developed individual schemes of generalized tariff preferences for developing countries.

2. US policy: Title V of the Trade Act of 1974 gives to US Presidents, for a period of 10 years, authority to grant generalized tariff preferences to imports from eligible developing countries. On January 1, 1976, the US became the 19th developed market economy country to implement a preference system. Under GSP, a wide range of eligible items from developing countries enters the US duty-free.

3. Objectives: The US GSP is a major element in the dialogue between developed and developing nations. An important US aim is to bring developing countries more fully into the international trading system. By providing increased export opportunities for these countries, we encourage their economic growth and diversification, decrease their need for concessional financing, and assist them in earning the funds required to finance imports from the US and other suppliers.

4. Beneficiary countries: Ninety-eight countries and 39 dependent territories were initially designated as eligible for GSP. The list may change over the duration of the program in accordance with statutory requirements. The President is prohibited from designating as eligible:

   - Communist countries that do not receive most-favored-nation tariff treatment and are not members of the International Monetary Fund and General Agreement on Tariffs and Trade;
   - members of OPEC or other countries withholding supplies of vital commodities from trade, or raising the price of such commodities to unreasonable levels;
   - countries granting reverse preferences to other developed countries, with significant adverse effect on US commerce;
   - countries that have nationalized property of US citizens without compensation, negotiation, or arbitration;
   - countries that do not act to prevent illegal drugs from their country from entering the US;

- countries that refuse to recognize as binding or enforcing, arbitral awards in favor of US citizens or corporations made by appointed arbitrators or permanent arbitral bodies; and
- countries that aid, abet, or grant sanctuary to anyone who has committed international terrorism;

5. Product coverage: Over 2,700 product categories are eligible for duty-free treatment. These products include selected agricultural and fishery products, most wood and paper products, certain organic chemical compounds and primary industrial products, and a broad range of manufactured and semi-manufactured products. Several groups of products were excluded, as required by law, to avoid negative impact on domestic industries. Ineligible products include selected categories of textiles, iron and steel products, footwear, glass, electronic items, chemicals, ball-bearings, and plywood.

6. Competitive need: Under the competitive need provision of the Trade Act, the President will suspend GSP eligibility on imports of a specific article from a country when that country supplies over 50% of the value of US imports or more than $25 million of the item during the previous calendar year. This provision is designed to give competitive advantage to new and developing industries by making products ineligible that have already proven to be competitive. The $25 million figure is adjusted annually in proportion to changes in the GNP.

7. Safeguards: Before making the determination of eligible products for GSP, the President receives advice in accordance with the procedural requirements of the Trade Act. The International Trade Commission and the interagency Trade Policy Staff Committee headed by the Special Trade Representative hold public hearings on the potential impact of GSP and submit reports to the President.

   A domestic industry claiming injury from imports of an item approved for GSP may seek a remedy under Section 201 of the Trade Act, which permits general import relief following a determination by the International Trade Commission of injury to the domestic industry. Also, administrative procedures have been issued whereby domestic industries may seek additions to or deletions from the product list.

8. Potential value: Although imports of eligible articles from beneficiary countries accounted for only 2.7% of total US imports in 1977, the potential for increased developing country exports is enormous. Total trade in products eligible for GSP was $31 billion, or nearly a quarter of all US imports. Preferences give developing countries a competitive edge over developed countries in competing for this large segment of the US import market. The new export opportunities should be an incentive for developing countries to diversify and upgrade their manufacturing sectors.

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MULTILATERAL TRADE NEGOTIATIONS

February 1979

1. Background: The Tokyo Round of the Geneva-based multilateral trade negotiations (MTN) is the seventh negotiating session held under the auspices of the General Agreement on Tariffs and Trade (GATT). Previous rounds dealt mainly with tariff reductions; this one also focuses on nontariff measures that distort international trade. As tariffs were progressively reduced, many nations relied more heavily on nontariff measures to restrict imports. These protectionist measures contribute to international tension, which the Tokyo Round seeks to diffuse by establishing new ground rules for the world trading system.

2. US benefits: During the past 10 years, US exports have more than quadrupled, to $143 billion in 1978. We export about 16% of everything we grow, manufacture, or mine, and some 4.3 million American jobs depend on US exports. Thus, the US has a critical stake in the MTN's successful outcome. As President Carter said in his State of the Union address, the proposed trade agreements will:

   -lead to increased opportunities for US exports;
   -insure that import competition is fair; and
   -result in lower prices, increased competition, and greater prosperity for the American people.

   The nontariff codes will not take effect until Congress approves them and enacts implementing legislation.

3. Subsidies: Extensive use of subsidies by our trading partners tends to increase US imports and displace our exports and is a constant irritant to our trade relations. This code will prohibit export subsidies, increase the discipline on the use of domestic subsidies, and set up rules for countries to take countermeasures against subsidized products that adversely affect their trade.

4. Technical barriers to trade (standards): This code is designed to prevent standards and technical regulations from becoming impediments to international trade. Concern over health, safety, and the environment has led to new product standards that have caused numerous trade disputes. The code will allow affected parties to participate in the standards-making process and provide nondiscriminatory access for foreign products to national and regional certification systems.

5. Customs valuation: This code attempts to provide a standard method of determining the duties collectible on an import, thereby protecting an exporter from arbitrary increases in assessed duties. Ordinarily, duties will now be assessed on an import's transaction value. If this is not appropriate, other methods of valuation are provided.

6. Government procurement: Until now, governments have been allowed to discriminate in favor of domestic suppliers for items purchased for government use. Under this code, an estimated $25 billion in foreign government procurement will be open to bids from US firms. Since our procurement system is already far less restrictive than that of most countries, we will clearly benefit from this code.

7. Safeguards: Countries will be required to observe certain international trading rules and will be subject to international discipline when temporarily limiting imports that seriously injure domestic industries.

8. Licensing: This code will reduce the effect on US exports of unnecessary or unduly complicated import licensing requirements.

9. Aircraft: This agreement would eliminate tariffs and reduce nontariff barriers on many aircraft products. The US is the world's major supplier of civil aircraft and parts, and we should benefit greatly from this agreement.

10. Agriculture: The US is vitally interested in the successful negotiation of an agricultural package. As the world's largest exporter of agricultural products, the US seeks long-term, stable, sustainable export growth through expanded trade opportunities and orderly conditions in international markets, particularly in periods of surplus or shortfall. Consequently, we have helped create a framework for international agricultural trade, including agreements on coarse grains, meat, and dairy products. The US has succeeded in reducing tariff barriers on many agricultural items of great export interest to us.

11. GATT reform: Several procedural changes in GATT have been negotiated. An "enabling clause" permits some special and differential treatment for the developing countries. This agreement also recognizes that as these countries advance economically, they must accept more obligations and fewer exceptions under the trade rules. Procedures concerning measures countries can take for balance-of-payments reasons, and measures by developing countries to protect infant industries, were improved. GATT's dispute-settlement procedures were strengthened, and agreement was reached to negotiate improved rules on use of export controls.

12. Industrial tariffs: Industrial tariff negotiations are not completed. We have reached satisfactory agreements with Japan, the European Community, and some smaller countries belonging to the Organization for Economic Cooperation and Development. Discussions continue with Canada and many developing countries. Our tariff cuts should approximate those of the Kennedy Round, i.e., a 30%-35% reduction in our average tariff level. In return, we have received many concessions, including tariff reductions on items of high priority interest to US industry and agriculture, which should stimulate US exports.

League of Women Voters of the United States 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 296-1770

news release

Contact
Betsy Dribben
Public Relations Director
296-1770 ext 263

FOR IMMEDIATE RELEASE
WEDNESDAY, FEBRUARY 7, 1979

Washington, D.C.--In continued support of the Multilateral Trade Negotiations, League of Women Voters of the U.S. president, Ruth J. Hinerfeld today urged Congress "to pass the countervailing duties waiver -- a pivotal issue for the outcome of the MTN."

The countervailing duties waiver is a temporary waiver of special duties on subsidized imports.

Hinerfeld, in a statement prepared for delivery before the Trade Subcommittee of the House Ways and Means Committee, said: "The U.S. countervailing duties law has been a major source of controversy in our trade dealings. We believe the waiver has served a very useful purpose: the negotiations on a subsidy code were not interrupted by unnecessary confrontation and, because of the waiver's temporary nature, negotiators have been under pressure to come within reach of an agreement on subsidies and a wide range of nontariff barriers. Extension of this waiver will give negotiators time to wrap up agreement on the provisions of the subsidy and other nontariff barriers codes." She added that prompt action on this would "also be seen as a measure of U.S. degree of commitment to an open and fair system of world trade."

The League has been an advocate of a "fair and open" U.S. trade policy for more than half a century. Last week at a Chamber of Commerce conference on the MTN, Hinerfeld told delegates "if the final MTN package measures up to our expectations that it will serve the best interests of this country and its citizens -- and we believe it will -- the League of Women Voters will support the MTN and make it a top priority."

# # #

Reporters please note: complete text of statement on countervailing duties waiver is attached.

gist

Please save

Board Memo MAR 12 1979

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2. US benefits: During the past 10 years, US exports have more than quadrupled, to $143 billion in 1978. We export about 16% of everything we grow, manufacture, or mine, and some 4.3 million American jobs depend on US exports. Thus, the US has a critical stake in the MTN's successful outcome. As President Carter said in his State of the Union address, the proposed trade agreements will:

   -lead to increased opportunities for US exports;
   -insure that import competition is fair; and
   -result in lower prices, increased competition, and greater prosperity for the American people.

   The nontariff codes will not take effect until Congress approves them and enacts implementing legislation.

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League of Women Voters of the United States•1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 296-1770

FEB 20 1979

TESTIMONY BEFORE THE SUBCOMMITTEE ON TRADE

OF THE HOUSE WAYS & MEANS COMMITTEE

ON

HR 1147, A BILL TO EXTEND TEMPORARILY

THE WAIVER ON COUNTERVAILING DUTIES

BY

RUTH J. HINERFELD, PRESIDENT

LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

FEBRUARY 7, 1979

Mr. Chairman, members of the Subcommittee, I am Ruth J. Hinerfeld, President of the League of Women Voters of the United States. The LWVUS is a volunteer political action organization with 1,400 Leagues in fifty states, the District of Columbia, Puerto Rico and the Virgin Islands. I am here today to speak in support of the proposed extension of the waiver on countervailing duties as provided in HR 1147.

We believe immediate passage of this bill without substantive amendment is vital to the successful completion of the multilateral trade negotiations currently underway in Geneva. The LWVUS believes the positive progress made in Geneva on the subsidies code and other nontariff barrier codes continues to justify waiver of the countervailing duty until Congress has had the chance to act on the MTN implementing legislation or until October 20 of this year, as provided in HR 1147. Our major negotiating partners however have repeatedly said they will not initial the final MTN package until the waiver is extended. The longer we delay resolving this problem, the closer we come to the January 1980 expiration of U.S. trade negotiating authority as provided in the Trade Act of 1974.

For almost half a century, LWVUS members have advocated a liberal U.S. trade policy because we believe such a policy paves the way for political harmony among nations, stimulates economic development at home and abroad, and expands consumer choice. Since our first study of trade in the late 1920's, the League has frequently reexamined the nature, direction and effect of U.S. trade policy. The upshot of these reevaluations has been a strengthening of our support for trade expansive rather than trade restrictive policies--for the good of the American economy and U.S. political relations with the rest of the world.

That is why we vigorously supported the 1974 Trade Act. And that brings us to today. Because, through the authority granted in that act, the U.S. has been able to participate in this historic round of multilateral trade negotiations on nontariff barriers. We believe the 1974 Act served as the springboard from which the U.S. has been able to play an international role commensurate with its economic position in the world, to maintain its longstanding commitment to the expansion of international trade, and to assert a leadership role in stemming the worldwide proliferation of protectionist practises.

Indeed, as a result of U.S. participation in the present trade negotiations, great progress has been made in achieving a fair, open and disciplined trading structure for the next decade. From the information presently available, the Geneva trade package will offer us, for the first time, an opportunity to contain and control the nontariff barriers that present the most significant restraints to international trade today. What we know of the codes on subsidies, safeguards, standards, customs valuation and government procurement indicates that the U.S. has much to gain. Customs valuation procedures and licensing requirements will be made more uniform, standard setting and government procurement will be opended up, and trade distorting subsidy practises will be restrained.

On subsidies in particular, the executive summary shows that governments have agreed to limit the trade distorting subsidies practise by establishing a prohibition on the use of export subsidies on industrial products, improving discipline on the use of export subsidies for agriculture, and establishing guidelines with regard to the use of domestic subsidies, among other provisions. The code also establishes rules for settlement of disputes which, if expeditiously implemented, will go a long way toward ameliorating this impediment to fair trade. I would also note that the codes establish a date certain for dispute settlement. And, where there is breach of this obligation, countermeasures such as the countervailing duty can be taken so long as they are taken within the agreed rules. Furthermore, quite apart from the provisions of the code, we understand that the Administration is now negotiating successfully with some of the more advanced developing nations to agree to limitations on their use of export subsidies.

As this committee is fully aware, our countervailing duty law and, more importantly the entire issue of subsidies goes to the heart of the trade negotiations. It is not a new problem in our dealings with our trading partners. The U.S. countervailing duty law was a major source of controversy in our international dealings even at the time when the GATT was established. Congress understood the sensitivity of the issue when in authorizing the President to participate in the negotiations it included in the 1974 Trade Act a temporary waiver on the imposition of countervailing duties. This was done to avoid damaging confrontations with other governments while a subsidies code was being hammered out. But, by making that waiver temporary and setting its expiration date one year earlier than that of the negotiating authority, Congress also put pressure on the negotiators to complete a subsidies agreement before the five year negotiating authority ran out.

We believe the waiver has served a very useful purpose: the negotiations on a subsidy code were not interrupted by unnecessary confrontation and, because of the waiver's temporary nature, negotiators have been under pressure to agree and have come within reach of an agreement on subsidies and a wide range of nontariff barriers. The time has not been quite enough, however, due to the complex, difficult nature of the problems and a couple of false starts in getting the negotiations underway. If a further extension of the waiver will produce a final agreement -- and we hope this is the case -- then Congress must act quickly and positively on the President's request f for a waiver extension.

An extension of the waiver will give negotiators time to wrap up agreement on the provisions of the subsidy and other nontariff barriers codes. It will also be seen as a measure of the degree of our commitment to an open and fair system of world trade. Our trading partners view the extension of the countervailing duty waiver authority to be a significant measure of this commitment. As such, it has come to be regarded as the pivotal issue for the outcome of the MTN. We should not allow the failure to extend the waiver to become the reason for the failure to conclude these negotiations.

The Subcommittee on Trade has taken the initiative early to get these hearings underway. The upcoming debate on the countervailing duty waiver extension and, if that is successful, on the MTN implementing package, will also require continued special and expert attention. As we know from past experience, the work done in this subcommittee and the full Ways and Means Committee can provide the necessary leadership for success.

Your efforts are particularly important because when the vote is cast to determine the fate of the trade negotiations agreement, we hope every member of Congress will have had the opportunity to thoroughly discuss and consider the potential impact these new trade liberalization agreements could have on the U.S. economy and world trade. The LWVUS believes the extension of the countervailing duty waiver will make this debate possible. Thus, on behalf of the LWVUS, I urge you to act quickly and positively on HR 1147.

The Department of State

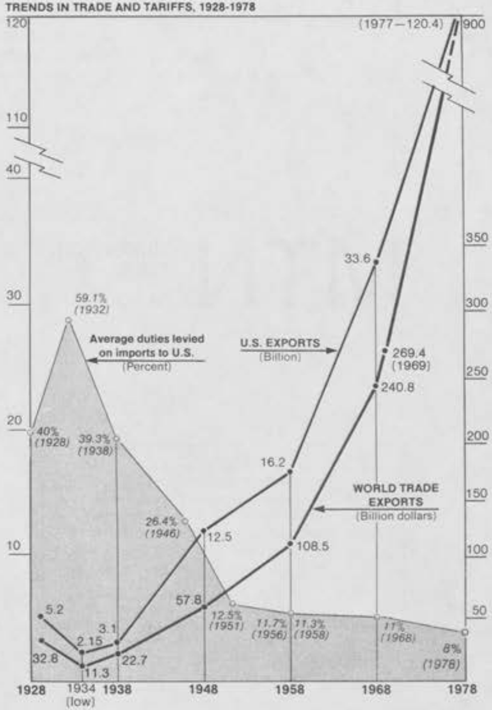
CURRENT POLICY NO. 56
February 1979

Bureau of Public Affairs
Office of Public Communication

MTN Multilateral Trade Negotiations

> Through these agreements and their domestic implementation, we can construct trade policies and institutions that advance our national interest and enhance the prosperity of our people.
>
> *—President Carter, Letter to House Speaker O'Neill, January 4, 1979*

TRENDS IN TRADE AND TARIFFS, 1928-1978



Note.—U.S. Export totals include military grant-aid and foreign merchandise.

Multilateral Trade Negotiations

This Briefing Paper was prepared by the Office of the Special Representative for Trade Negotiations.

After more than four years of intensive multilateral trade negotiations (MTN) involving 98 governments, the United States is in the final process of concluding a set of major new international trade agreements in Geneva, Switzerland. This seventh post-World War II "round" of international trade talks was named for the ministerial conference in Tokyo, Japan, which launched it in September 1973.

PURPOSES

The new agreements are intended to establish new international rules to assure that trade will be conducted more fairly and equitably between nations, and to continue the process of reducing specific barriers, both tariff and nontariff, to individual products.

"NONTARIFF" CODES

These are the most important product of the negotiations, covering a broad range of government policies, regulations and other actions that have tended to restrict trade, whether or not they were designed for that purpose. These agreements, which are virtually completed, include new international codes of conduct regulating the use of such devices as government subsidies, "buy-national" government purchasing procedures, product standard-setting procedures, import licensing red tape, commercial counterfeiting, and other impediments to trade.

The nontariff agreements also include important changes from the existing General Agreement on Tariffs and Trade (GATT), intended to improve the international trading framework. These include new provisions for temporary relief from injurious import competition, dispute settlement, the use of import restrictions for balance-of-payments or developmental purposes, the rights and obligations of developing countries, and the use of export guidelines.

Other agreements provide for special guidelines affecting trade in specific items and commodities, including aircraft, steel, grains, meat and dairy products. The elements of the nontariff barrier negotiations are described in greater detail in the President's notification to the Congress.

TARIFF AGREEMENTS

These agreements should result in an average reduction in duties worldwide of 30 to 35 percent. The reductions will be phased in over an 8 to 10-year period.

APPROVAL PROCESS

The Trade Act of 1974, which authorizes these negotiations, continues the delegation of tariff-negotiating authority from the Congress to the President, as has been the practice since the first Reciprocal Trade Agreements Program in 1934. No formal approval of the tariff reductions by the Congress is required although they will be examined in the context of assessing the overall results of the MTN. Nontariff agreements, however, must be implemented by the Congress under an expedited legislative process. This process involves the submission of legislation approving the agreements and making "necessary or appropriate" changes in domestic law to implement them.

The procedures and Senate and House rules for this process are spelled out in the Trade Act. The House and Senate rules setting up these procedures call for a privileged motion to discharge the bill from committee(s), limitations on debate, and preclude any amendments or parliamentary maneuvers to delay consideration. These rules provide maximum assurance that the implementing bill will be brought to a straight up or down vote by a simple majority of those present and voting within the time limits stipulated (set out below).

TIMING

As required by the Trade Act, the President notified the Congress on January 4, 1979, of his intention to enter into various nontariff agreements, together with a summary description of each such agreement. This notification, which was published in the Federal Register on January 8, 1979, assures the Congress that the President will not formally conclude, sign and "enter into" any agreement until "at least 90 calendar days" after giving notice of intent.

This means that this spring, U.S. objectives are to:

- Complete and conclude the resolution of remaining outstanding negotiating issues in Geneva—primarily over tariffs and the code covering use of temporary import restraints on injurious competition, known as "safeguards."
- Continue to seek and consider the advice and reports on the agreements of a network of the private sector advisory Committees that were set up under the Trade Act, representing all elements of national economic interest, including industry, agriculture, labor, and the public at large. Sectoral balance of the agreements and their effects on the U.S. economy must be included in these reports, also required by law.
- Draft the final trade agreements themselves, putting them into language compatible with the GATT.
- In consultation with interested members of Congress, draft domestic U.S. legislation to implement the agreements.

After the agreements are formally signed in Geneva, each House of Congress has 60 legislative or working days (houses in session) in which to enact domestic U.S. implementing legislation—45 days in committee(s) and 15 days on the floor. However, because trade legislation is deemed a "revenue measure" it is expected that the House will initiate the process, with the Senate action following a final vote in the House. The total elapsed period of time is expected therefore to be no more than 90 legislative days, or about 4.5 months.

ADVANTAGES TO THE U.S.

These nontariff agreements represent the first major international effort to curb such trade-restrictive practices, which are generally regarded as having substantially replaced tariffs as the primary obstacle to trade. Thus, from the U.S. point of view, this is the most important revision of the international trading rules since 1947.

Export subsidies, for example, are among the unfair trade practices most frequently cited by U.S. producers and exporters, particularly in agricultural trade. The pending code on subsidies and countervailing duties promises new international discipline for the first time under the GATT over agricultural as well as industrial subsidies, and over domestic subsidies that distort historic trade patterns, as well as barring the use of direct export subsidies.

The code on government procurement could open up as much as $25 billion a year in foreign government purchasing markets now closed to U.S. exports.

The standards code would assure that other countries move closer to the U.S. system of openness in drafting product standard-setting procedures, and would reduce their use as hidden nontariff barriers to trade through general guidelines and effective international enforcement procedures.

The code on import licensing would reduce this frequent bar to U.S. exports, particularly in developing countries.

Tariff and specific nontariff (e.g., quota removal) offers on many U.S. agricultural and industrial exports give promise of significant new market prospects.

A customs valuation code would bring greater uniformity to the basis on which all imports are assessed.

The aircraft agreement promises fairer trade in this important U.S. export sector.

The wheat agreement will require other nations to share more equitably in the burdens of stockpiling and food aid.

The agreement on steel should help resolve through international cooperation some of the structural problems that disadvantage the U.S. industry.

A general agreement on agriculture will apply existing GATT procedures more equitably to agricultural trade, providing U.S. exporters with a better forum for dispute settlement.

DOMESTIC CONCERNS

Principal areas in which the U.S. is being asked to move, which could raise some concerns domestically, are the following:

- Adoption of an injury test before applying countervailing duties. This would conform U.S. practice to international rules, from which it has been exempt by a GATT "grandfather clause." However, the test under negotiation would not be onerous, and would better define the many factors making up "injury."
- Abandonment of the so-called American Selling Price system of customs valuation (of such products as chemicals and rubber-soled footwear). Again, this has been charged as an unfair trade practice by U.S. trading partners. However, the U.S. would convert these duties to ad valorem equivalents in such a manner as to provide equal import protection.
- Participation in international commodity arrangements on coarse grains, meat and dairy products. However, these would be consultative arrangements, which do not require price floors and ceilings, or stockpiling.

In addition, some U.S. industries are concerned that tariffs or nontariff barriers may be reduced too low on U.S. imports (textiles, steel, chemicals), while others may be less than fully satisfied with foreign offers of tariff reductions on their exports (paper, semi-conductors).

AN ASSESSMENT

On balance, the set of agreements nearing conclusion in Geneva appears to be one that will be useful and beneficial to U.S. trade, and to the economy as a whole. Import-sensitive U.S. industries are now being consulted closely to arrive at a result they feel they can live with. Indeed, the nontariff codes provide for more effective responses to foreign unfair trade practices. On the other hand, new market opportunities for U.S. exports, including many agricultural products as well as industrial goods, are substantial. The right to protect American industries and workers from international predatory practices is retained, and the codes would bring other countries into a system of rules which the U.S. often has observed unilaterally.

Multinational trading companies and U.S. farm exporters are expected to be supportive of the package of tariff and nontariff agreements. Some import-sensitive industries may be negative, but the steel industry should be supportive. The AFL-CIO headquarters and several member unions can be expected to exercise varying degrees of opposition. However, selected unions in industries with existing or potential export opportunities may range from neutrality to support. Consumer and retail groups should be positive.

Perhaps the most useful way of weighing the benefits of the MTN package is to consider the costs of disapproval. In the absence of the substantial new effort to discourage unfair government interventions in trade, and to devise fairer rules and more workable dispute settlement mechanisms, it can be expected that trade irritations and distortions between nations will grow worse. Trade and national economies are not static. Thus current internal domestic pressures for mercantilism around the world could have an explosive and severely damaging effect on both the U.S. and the world economy as a whole.

COUNTERVAILING DUTY WAIVER EXTENSION

Further complicating the legislative outlook for the trade agreement package is the fact that U.S. authority to waive the imposition of countervailing duties under certain limited circumstances expired on January 2, 1979.

The Secretary of the Treasury is exercising his temporary option to "suspend liquidation" of affected imports—primarily European cheeses and canned hams—but importers must cover this contingent liability through posting of bond, letters of credit, or other legal/financial assurances that the Treasury will not suffer a loss if the countervail duty should have to be applied as a result of failure to approve and implement a new international subsidies/countervailing duty code.

However, this administrative solution cannot be continued indefinitely, and the European Economic Community has served notice it will not finally conclude any MTN package until this threat is removed.

Congress tried but failed for technical procedural reasons to enact a CVD waiver authority extension during the last days of the 95th Congress, each House having passed it on separate bills.

The President has requested the new 96th Congress to extend this authority to September 30, 1979.

This waiver extension legislation could become a vehicle on which to attach undesirable amendments.

The Administration is working with the textile/apparel and other import-sensitive industries to develop more broadly based economic assistance plans, rather than relying on prohibitive trade protection, but some elements of these industries may still try to take advantage of the need for the waiver.

U.S. Exports of Principal Products to Major World Areas, 1976 (Million U.S. $)

	Total	Canada	EEC	Japan	LDC's	Communist Areas
Corn	5,223	85	1,839	752	713	1,370
Chemical elements and compounds	4,408	656	1,497	374	1,470	32
Automotive parts and accessories	4,213	3,094	157	40	683	0
Wheat*	3,880	0	367	504	2,003	414
Soybeans	3,315	87	1,548	522	2,589	420
Automobiles	3,224	2,444	83	76	579	—
Civilian aircraft	3,211	73	509	170	1,778	4
Coal, coke and briquettes	2,988	760	715	1,032	238	11
Electronic computers, parts and accessories	2,588	408	1,179	240	310	32
Tractors and parts	2,222	687	219	6	808	147
Power machinery and switchgear	2,138	350	317	71	1,174	14
Telecommunications apparatus	1,997	272	352	75	1,118	3
Textiles other than clothing	1,970	520	576	58	532	23
Aircraft parts and accessories	1,933	93	512	104	1,000	1
Professional, scientific and controlling instruments	1,931	368	663	157	485	19
Internal combustion engines, other than aircraft	1,929	934	244	30	522	5
Mechanical handling equipment	1,859	390	316	24	883	64
Iron and steel-mill products	1,833	571	188	19	854	57
TOTAL	114,997	24,109	25,406	10,144	40,372	3,638

*For marketing year 1976-77.

GLOSSARY

AMERICAN SELLING PRICE (ASP): A system of tariff valuation under which the value of an import is determined by the average U.S. price of the competitive American-produced good. Although foreign governments consider the system unfair, Congress has continued the ASP for benzenoid chemicals and rubber footwear. The customs valuation code of conduct negotiated in the Tokyo Round would require the United States to abandon the ASP.

CODE OF CONDUCT: In GATT practice a multilateral agreement establishing rules or principles to be followed in applying nontariff measures (NTM), such as subsidies (see subsidy). An important result of the Tokyo Round is a set of seven individual NTM codes of conduct.

COUNTERVAILING DUTY: A charge placed on imports to offset subsidies granted to exporters. The Code of Conduct on Subsidies and Countervailing Duties negotiated in the Tokyo Round specifies the countervailing duty as the only form of retaliation against subsidies but requires proof of injury from the subsidy before the duty is levied. Foreign governments object to the U.S. practice of levying countervailing duties regardless of injury.

CUSTOMS VALUATION: Setting the value of an imported good for the assessment of tariff duties. This is an important aspect of international trade, as a tariff can produce high or low duties depending on how the imported good is valued. Many systems of valuation have been in use in the past. The code of conduct negotiated in the Tokyo Round establishes a simple and uniform international system.

EXPORT SUBSIDIES: Special incentives, including direct payments to exporters, to promote sales abroad. Under the new code of conduct governments may retaliate against any subsidies that have the effect of undercutting prices. The form of retaliation is the countervailing duty.

FRAMEWORK REFORM: In the Tokyo Round context "framework" refers to the body of rules governing the conduct of world trade, particularly those of the GATT. A special U.S. negotiating objective mandated by Congress was to revise the GATT so as to reduce or eliminate nontariff barriers to trade. For the developing countries, on the other hand, improving the framework meant to establish their legal right to special and differential treatment (see special and differential treatment).

GATT (GENERAL AGREEMENT ON TARIFFS AND TRADE): Multilateral agreement signed in Geneva in 1947 to provide rules for reducing tariffs and other trade barriers. Original membership of 23 expanded to 83 by 1977. GATT has sponsored seven series, or rounds, of multilateral trade negotiations (MTN), including the present Tokyo Round.

GOVERNMENT PROCUREMENT: This has become an important international trade issue because governments purchase large quantities of goods and have regularly favored domestic suppliers. Under the new code of conduct signatories must permit foreign suppliers to bid for government purchase contracts on an equal footing with domestic businesses.

KENNEDY ROUND: Name given to the sixth round of MTN held from 1964 to 1967 in Geneva where the main U.S. objective was to secure better access to Western European markets for U.S. industrial and agricultural products. Named in honor of the late President John F. Kennedy because of his initiative in convening the talks. A 35 percent average reduction in industrial duties was achieved.

MULTILATERAL TRADE NEGOTIATIONS (MTN): Generally, trade negotiations conducted by many nations at one time, a practice begun with the GATT in 1947. The first five GATT-sponsored MTN rounds consisted of simultaneous sets of bilateral negotiations, and the bargaining for tariff cuts proceeded item by item. In the Kennedy Round (1964-1967) participants hoped to cut tariffs by applying a single formula to all duties and were able to negotiate cuts by sectors or groups of products rather than item by item. The Tokyo Round followed the Kennedy Round in seeking a single tariff cutting formula; it also negotiated multilateral codes of conduct governing NTM.

NONTARIFF MEASURE (NTM): Term applied to government actions, other than tariffs, that affect international trade, such as border taxes, health regulations, and customs valuation. In order to reduce the trade-distorting potential of NTM, the Tokyo Round has negotiated a set of NTM codes of conduct (see codes of conduct).

SAFEGUARDS: Temporary emergency actions, such as import quotas or higher tariffs, designed to protect industries that are suddenly threatened by a large volume of imports. The purpose of the safeguards code of conduct negotiated in the Tokyo Round is to reduce the trade-distorting effect of such emergency actions.

STANDARDS: The common word for the technical or sanitary requirements placed on goods certified for public sale. Cumbersome certification procedures and unreasonable standards can be serious trade barriers. The standards code of conduct just negotiated requires fair and open procedures and equal treatment of foreign goods.

SPECIAL AND DIFFERENTIAL TREATMENT (SD): Term used in the Tokyo Round for the principle that developing countries merit special consideration in the MTN and may be relieved of full obligations under the general rules of trade. The developed countries agreed to forego full reciprocity from the developing countries. The Framework Agreement resulting from the Tokyo Round confirms the practice of granting tariff preferences to the developing countries as a group.

DEPARTMENT OF STATE, U.S.A.
WASHINGTON, D.C. 20520

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DEPARTMENT OF STATE
STA-501

U.S. MAIL

HELENE L BORG
ACTION CHAIRMAN
LEAGUE OF WOMEN VOTERS OF MINNESOTA
555 WABASHA
ST PAUL MN 55102

M E M O

TO: Pat Llona

FROM: Helene

SUBJECT Wingspread

DATE 3/5/79

LEAGUE OF WOMEN VOTERS OF MINNESOTA
555 WABASHA
ST. PAUL, MINNESOTA 55102
PHONE: 224-5445

Did you ever get squared away with national about our participation in the Trade project? Someone called me from the nat'l office

Yes - send
Lin Registration
I'm on program to tell
"How"
Pat

LEAGUE OF WOMEN VOTERS OF MINNESOTA
555 WABASHA • ST. PAUL, MINNESOTA 55102 • TELEPHONE (612) 224-5445

March 23, 1979

The Honorable David Durenberger
353 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Durenberger:

Our organization has been following the multi-lateral trade negotiations, and we hope there will be a successful conclusion soon.

We believe the gains to be had with the MTN conclusion will far outweigh a temporary concern dealing with countervailing duty authority.

We urge you to vote for the already approved House Resolution 1147 to extend the countervailing duty authority of the President so that the present concerns of the other parties to GATT may be put aside, and the treaty finalized.

Sincerely,

Helene Borg
President

Pat Llona
International Relations Chair

M

LEAGUE OF WOMEN VOTERS OF MINNESOTA
555 WABASHA • ST. PAUL, MINNESOTA 55102 • TELEPHONE (612) 224-5445

March 23, 1979

The Honorable Rudy Boschwitz
2109 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Boschwitz:

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Sincerely,

Helene Borg
President

Pat Llona
International Relations Chair

M

1346 Connecticut Avenue NW Washington D.C. 20036 (202) 785 4835

consumers CWT for world trade

APR 9 1979

March 1979

Ms. Helene Borg
League of Women Voters of Minnesota
555 Wabasha, Suite 212
St. Paul, Minn. 55102

Dear Ms. Borg:

Knowing of your interest and involvement in issues of national policy, I am sure you share my deep concern for the welfare of American consumers, particularly fixed-income and low-income families, at a time when inflation is imposing heavy burdens on all Americans. This is why I am asking for your help in fighting against inflation and for the right to choose freely in the market place.

I am writing to urge you to become a member of Consumers for World Trade -- the only consumer group whose sole mission is to work to ensure that the United States pursues international trade policies which will benefit American consumers, as well as reflect the needs and realities of today's interdependent world.

As you well know, each of us as a consumer is directly affected by our country's trade policies. The prices of vital foods and virtually every consumer product depend upon having adequate supplies from both foreign and domestic sources. Import restrictions, whether tariffs, quotas or other more subtle barriers, raise the cost of both imported and domestic products, and endanger the jobs of thousands of American workers in export-related industry and agriculture.

Although CWT has been active for only one year, we have created a modest membership base, extended an information program, and expressed the American consumer's interest on critical trade policy issues as they came before Congress and the President. We actively opposed measures limiting imports (and raising prices) of beef, sugar, textiles and copper. We need to expand these activities, and we need to counter increasing protectionist pressures as Congress considers the important package of agreements reducing trade barriers (the "MTN"), the outgrowth of years of complex discussions among nearly 100 nations.

We need your membership in CWT to strengthen the voice of consumers as vital decisions affecting you are being made in Washington. A membership form and return envelope are enclosed for your convenience -- please join promptly, as 1979 will be a critical year for support for freer and fairer trade.

Sincerely,

Doreen L. Brown

Doreen L. Brown, President

DLB:k

P.S. Because CWT intends to lobby for lower prices and consumers' freedom of choice, our modest $10.00 annual dues are not tax-deductible.

An Invitation To Become A Member of Consumers for World Trade

☐ Yes! I want to join Consumers for World Trade in its fight against inflation and in its work to promote consumer choice and fair international trade policies.

Enclosed is my check for $10.00 for a one-year membership in CWT, plus $________ extra as additional contribution.

JLB

LEAGUE OF WOMEN VOTERS
OF MINNESOTA
PHONE (612) 224-5445
555 WABASHA • ST PAUL, MINNESOTA 55102

action

H. R. 1147

To: Local Leagues
From: Pat Llona, International Relations Chair, LWVMN
Re: H. R. 1147, The Bill to Extend the President's Authority to Waive Duties on Imports Subsidized by Foreign Governments
Date: March 23, 1979

PLEASE SEND A COPY OF YOUR COMMUNICATIONS TO THE STATE OFFICE.

The Senate Finance Committee in Congress held hearings Monday, March 19, on H. R. 1147, the bill to extend the President's authority to waive duties on imports subsidized by foreign governments. The bill passed the House on March 1st, and Senate floor action is expected within two weeks.

Please call, write, or send Mailgrams to your Senators, urging their support for House Resolution 1147. Check the February Report from the Hill for background information. Immediate passage of House Resolution 1147 without amendments is vitally important to the successful conclusion of the multi-lateral trade negotiations currently under way in Geneva.

COMMITTEE FOR ECONOMIC DEVELOPMENT
ANNUAL REPORT 1978

LEADERSHIP IN NATIONAL PRIORITIES

THE CED MISSION

The Committee for Economic Development has a special mission that no other business-related organization performs. At CED, business leaders actively engage in the policy process by combining their practical day-to-day experience with the findings of objective research. Volunteering their time, CED's trustees meet with distinguished academic and business experts to develop statements on national policy. Only the trustees have the final say on CED's policy recommendations.

These two hundred trustees — mostly board chairmen, corporate presidents, and university executives — make up this independent, nonprofit, and nonpartisan research and educational organization. They serve independently of their business and professional affiliations. CED itself represents no industry group or special constituency. It is financed by voluntary contributions from business, foundations, and individuals.

Thus, since 1942, CED has remained an open forum for the exchange of ideas and the development of policy on many of the most difficult and controversial issues. Today, CED continues to reflect the best thinking of the business world, infusing a responsible and valuable perspective into the public dialogue.

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A complete listing of the CED Board of Trustees appears on pages 10-13.

lenges today and for the foreseeable future are on the supply side of the economy."

The supply side is an amalgam of many difficult and detailed problems. CED's current approach has been to focus on what it regards as key supply-side issues and to analyze them in meaningful sequence.

In January 1978, the Research and Policy Committee issued the statement **Jobs for the Hard-to-Employ,** which made clear that the country cannot ignore the huge economic and social costs of people not working, goods not produced, and services not rendered. In the long term, the statement said, such a wasteful use of resources is more likely to contribute to inflation than to deter it. It identified proven programs that could cut down on structural unemployment.

Revitalizing the Federal Personnel System (February 1978) recognized the public concern about the size, cost, and responsiveness of the federal government, and recommended, among other measures, more performance-oriented compensation and stiffer Executive and Congressional control of escalation of government salaries and job classifications. Similarly, the inflationary impact of burgeoning expenditures for state and local government was a motivating force behind the publication of **Improving Management of the Public Work Force** (November 1978). This comprehensive statement made clear that a coherent framework for personnel management in state and local government must be sharply attuned to both economic and political realities.

Our plans for 1979 call for mid-year publication of a policy statement, **Redefining Government's Role in the Market System,** which deals with the expansion and changing nature of government involvement in markets. The statement examines the inflationary effects of the growth of direct expenditure programs, indirect incentives, such as loans and loan guarantees, and of regulations on the performance of the economy.

Franklin A. Lindsay (left), chairman of the Research and Policy Committee; Fletcher L. Byrom, chairman of the Board of Trustees; and Robert C. Holland, president of CED.

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In sum, CED's activities in 1978 and its program for 1979 center on chronic and fundamental problems, the solutions to which should go a long way toward correcting the fundamental disorder of our inflationary economy.

Robert C. Holland

Robert C. Holland

REPORT FROM THE PRESIDENT

INFLATION: CORRECTING THE FUNDAMENTAL DISORDER

Inflation is the nation's most intractable economic problem. In testimony before the Joint Economic Committee of the Congress in February 1979, CED chairman Fletcher L. Byrom underscored the long-term, structural nature of our inflationary condition. "There is no quick fix to the underlying, long-term problem," he said. Correcting the fundamental disorder calls for a "transformation in our national attitudes and habits, our expectations of government and of each other, and our self-discipline."

Our addiction to an inflationary way of life, Mr. Byrom maintained, requires more than a short-term treatment of symptoms. Accordingly, his prescriptions covered a broad range of disciplines, reforms, and priorities, both short-term and long-term. Among them:

— **Fiscal and monetary measures.** Determined budgetary restraint by both Congress and the Executive Branch is imperative. Only with continuing fiscal responsibility can the Federal Reserve continue to pursue responsible monetary policies in holding the growth of demand to moderate but sustainable levels. If demand should falter, however, presenting the prospect of a larger deficit based on a decline in revenues, the Fed would need to exercise a degree of flexibility.

— **Stronger investment incentives.** New measures are needed for increasing and sustaining investment in both physical and human resources, and in underlying research and development. Such measures are necessary in order to strengthen our productive capacity, reverse the dramatic decline in our national productivity, rationalize the steep increase in costs of politically mandated investment in environmental, safety and other social goods, and overcome the formidable disincentives to capital formation that are eroding the capital base of our economy.

— **Overhaul and reform of our regulatory system.** We have to scrutinize established government practices which are not only expensive, but are often also counterproductive as well as inflationary. The trick is to define our standards realistically, and to provide the incentives and disincentives that will insure the efficient production of public goods, insofar as possible by using the competitive dynamics of the market system.

— **Jobs for the hard-to-employ.** It is both bad economics and bad social policy to allow the young, old, and disadvantaged to become a useless resource in our economy. Public-private partnership efforts are needed for on-the-job and close-to-the-job training programs that can bring such individuals into the mainstream economy. In the long run, such programs are both anti-inflationary and deeply humane.

CED's program of activities for 1978, the impact of which is described in the body of this annual report, has reflected a strong determination by the trustees to attack the complex and interactive basic problems that are worsening the performance of our economy and doing so much to generate or exacerbate our inflation. In previous years, several CED policy statements have presented fairly comprehensive analyses of inflation and what to do about it. In this current phase, we are concentrating more on improvements that can be made on the *supply* side of inflation, through increasing the quantity, quality, and usability of our productive resources — plants, equipment, labor and natural resources — and enhancing the efficiency of their use.

This orientation of our work accords with a growing conviction among opinion leaders. For example, in the rather remarkable 1979 Annual Report of the Joint Economic Committee, its new chairman, Senator Lloyd Bentsen (a former CED trustee) stated: "This report illustrates an emerging consensus in the committee and in the country that the federal government needs to put its financial house in order and that the major challenges today and for the foreseeable future are on the supply side of the economy."

The supply side is an amalgam of many difficult and detailed problems. CED's current approach has been to focus on what it regards as key supply-side issues and to analyze them in meaningful sequence.

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Robert C. Holland

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SETTING THE PACE IN NATIONAL POLICY

A public-private partnership for combatting hard-core unemployment . . . a new framework for national energy policy . . . a blueprint for civil service reform and for better management of the public work force . . . Pace-setting proposals contained in CED statements and reports in the past year have urged a wide range of policies for making wiser and more productive use of the nation's public and private resources.

JOBS FOR THE HARD-TO-EMPLOY

In January 1978, CED released the landmark policy statement **Jobs for the Hard-to-Employ: New Directions for a Public-Private Partnership,** which examined the issue of structural unemployment and offered practical steps to bring the hard-core unemployed into permanent private employment. In the year since their release, both **Jobs for the Hard-to-Employ** and its companion volume of case studies, **Training and Jobs Programs in Action,** have had a major impact in spurring new public and private activities to help the hard-to-employ.

The CED policy statement contributed to changing the direction of some parts of the CETA program. The new 1978 CETA legislation incorporated a number of CED's recommendations, including an innovative section which earmarks $400 million for the creation of a nationwide network of Private Industry Councils (PIC's). These PIC's will work with CETA prime sponsors to enlist local employers, community groups, labor organizations, and educational institutions in helping to widen training and job opportunities in the private sector. In **Jobs for the Hard-to-Employ,** CED called for such private sector involvement, and the Administration has publicly credited CED with playing a decisive role in developing this program.

FEDERAL PERSONNEL MANAGEMENT

The October 1978 Civil Service Reform Act parallels a number of recommendations contained in the January 1978 CED program statement **Revitalizing the Federal Personnel System.**

The new law replaced the Civil Service Commission with the Office of Personnel Management and the Merit Systems Protection Board, changes urged in the CED statement. In addition, it created a new Senior Executive Service to include over 8,000 professional government managers and policy makers. The CED statement recommended such a service, in order to provide a realistic balance between the need for executive discretion in staff development and the individual needs of career government managers.

Other CED recommendations reflected in the Civil Service Reform Act called for a new merit

John L. Burns, chairman of CED Jobs for the Hard-to-Employ project, with President and Mrs. Carter, at White House briefing on private-sector jobs effort.

CED trustees William D. Eberle (left) and Roy L. Ash testify before Congress on civil service reform.

pay system, increased protection for employees who uncover bureaucratic malfeasance, and more flexibility in dealing with incompetent workers.

MANAGEMENT OF THE PUBLIC WORK FORCE

Policies proposed in the CED statement **Improving Management of the Public Work Force: The Challenge to State and Local Government** called for the overhaul of public personnel management systems, increased authority and accountability for managers, revised collective bargaining processes, and more use of proven personnel management techniques to increase employee performance and job satisfaction.

The statement was a major discussion topic at meetings of the U. S. Conference of Mayors, the National League of Cities, and the American Arbitration Association. Lamar Alexander, Governor of Tennessee, said that **"Improving Management of the Public Work Force** sounds just like what Tennessee state government needs . . . I am looking forward to putting the information into use where I can."

STRATEGIC PLANNING IN BUSINESS AND GOVERNMENT

As part of the CED project on Improving the Long-Term Performance of the U. S. Economy, CED issued the supplementary paper **Strategic Planning in Business and Government** in December 1978. The author, Michael H. Moskow, is Vice President for Corporate Development and Planning for Esmark, Inc. and a former Under Secretary of Labor. The paper called for better use of strategic planning in government decision-making, in order to create an improved environment for key sectors of the economy.

ENERGY POLICY

Designed to help public officials and citizens develop a rational perspective for viewing present and future energy decisions, the CED supplementary paper **Thinking Through the Energy Problem** (April, 1979) offered a fresh approach to the many issues surrounding energy and proposed a solid framework within which energy policies can be judged. In preparing this report, the author, Professor Thomas C. Schelling of the John Fitzgerald Kennedy School of Government, Harvard University, worked with the Design Committee on Long-Range Energy Policy chaired by Henry B. Schacht, chairman, Cummins Engine Company, Inc.

SPEAKING OUT

TRUSTEES TESTIFY BEFORE CONGRESS

In the past year CED trustees have been invited to present testimony on a number of vital economic and social issues: inflation and government regulation, civil service reform, and jobs for the hard-to-employ.

Controlling Inflation

"Correcting the fundamental disorder calls for more than a treatment of symptoms. Neither mandatory wage-price controls nor a Constitutional prohibition of budgetary deficits will do the job. The transformation called for is in our national attitudes and habits, our expectations of government and of each other, and our self-discipline. We cannot legislate the good life; we are going to have to make it for ourselves."

Fletcher L. Byrom, testifying before the Joint Economic Committee of Congress, February 22, 1979.

Fletcher L. Byrom testifying.

Reforming the Civil Service System

"I believe the recommendations in the CED report *Revitalizing the Federal Personnel System* provide, in great measure, the blueprint for a reorganized federal personnel system that would (1) provide for efficient governmental management and (2) assure public servants that they will be rewarded for merit and protected from bias, bureaucratic insensitivity, or political favoritism."

Rocco C. Siciliano, testifying before the Committee on Governmental Affairs, U. S. Senate, April 7, 1978.

Combatting Structural Unemployment

"A central theme of our statement is that the key to increasing the private-sector role in this field lies not so much in developing brand new techniques. Rather, it calls for mobilizing much more active and widespread business, government, and community support for the kind of activities that are already being successfully carried out by various individual firms and communities, as demonstrated in our case studies."

John L. Burns, testifying before the Joint Economic Committee of Congress, February 1, 1978.

Also on Capitol Hill: Trustees Roy L. Ash and William D. Eberle testified on civil service reform. Franklin A. Lindsay, Research and Policy Committee Chairman, and Frank W. Schiff, vice president/chief economist and project director, presented statements on combatting structural unemployment. R. Scott Fosler, director of government studies, offered testimony on business assistance to local government.

INFORMATION AND EDUCATION

Through a carefully targeted information and education program, CED is delivering its ideas and recommendations to key public and private-sector leaders throughout the country, to classrooms and management seminars, and to the mass media.

A major focus of CED's 1978 information program has been a nationwide series of Policy Forums on Jobs for the Hard-to-Employ. In the past year, CED has held such Forums in Philadelphia, Boston, Detroit, Los Angeles, and Atlanta. These meetings have brought together hundreds of business, government, community, labor, and education leaders for discussions of specific local unemployment problems and what can be done to solve them. CED also has produced an educational filmstrip and discussion guide on Jobs for the Hard-to-Employ for use by schools, colleges, and business and civic groups throughout the country.

Because of their balanced and objective approach, CED policy statements and reports are given wide distribution in universities, colleges, and high schools. During 1978, some 650 professors adopted CED policy statements for classroom use.

There has been unprecedented press reaction to CED's work during the past year. CED's recommendations in **Jobs for the Hard-to-Employ** were reported in hundreds of news articles and editorials throughout the country. The *New York Times* noted that "the remarkable thing about the CED report is that a business group is proposing a more comprehensive attack on unemployment than any that has yet emerged from the Carter Administration."

CED's reports on civil service reform and the management of the public work force have also gained wide attention. The *Los Angeles Times* said that the civil service reform program supported by CED "is a promising way to protect the rights of employees while advancing the interests of taxpayers in an efficient government." According to the *Cleveland Press*, "CED found that unhappiness over our bloated bureaucracies is focused on the almost malignant growth of government employment, notably at state and local levels . . . ."

Trustee William S. Edgerly (far left) chairs Boston Policy Forum on Jobs for the Hard-to-Employ.

AGENDA FOR ACTION

FOCUS FOR 1979 AND BEYOND

During 1979 and ensuing years the Committee for Economic Development will publish findings and recommendations on public policy issues that CED trustees have identified as the most likely to affect our economic future.

Redefining Government's Role in the Market System. A policy statement scheduled for release in mid-1979 will assess the magnitude and modes of current government involvement in the market system and offer guidelines by which government expenditure and regulatory policies may be evaluated, so that ineffective programs can be modified or eliminated.

Technology Policy in the United States. A report on national technology policy slated for 1979 publication will review the current climate for technological innovation and examine the relationships between technological change and the economy. The report will identify and recommend public policies that should be initiated or revised to stimulate technological advance in the U. S. economy.

Helping Insure our Energy Future: A Program for Developing Synthetic Fuel Plants Now. This study will explore ways in which the government might facilitate private-sector financing of the commercialization of new energy technologies such as coal gasification and the extraction of fuel from both coal and oil shale. It will examine the need to insure this country's mid-term energy future against the economic and political uncertainties of the world energy market.

Reform of Retirement Systems. The burden of retirement costs (including Social Security and all separate retirement plans of government, private, and nonprofit organizations) is large and seems destined to continue to grow rapidly, as long as present retirement specifications and demographic trends continue. This study will seek answers to the question: Can we afford this?

Economic Relations Between Industrial and Less Developed Countries. This study will explore the relationship between multinational corporations and less developed countries. It is working to identify the basic needs of both parties, areas of agreement, and areas where mutual adaptation of strategies could contribute to more effective trade and investment relations.

Revitalizing America's Cities. This project will develop a series of case studies highlighting public-private cooperation in revitalizing major American cities. It will develop recommendations on whether, when, how, and why public policies should be altered to either accommodate or resist the forces altering the economic and social condition of urban America.

Market Pricing of Energy. Planned as a joint effort with the Conservation Foundation, this project is designed to formulate policy proposals to reform energy pricing mechanisms in the United States while taking account of the consequences of such reform.

International Trade Issues. This is an effort to monitor world trade developments, government policy initiatives, and the progress of research in this field, and to consider the feasibility of a policy statement.

FINANCIAL STATEMENT

For Years Ending December 31,	1978	1977
Net Assets		
Assets	$ 955,650	$1,246,045
Liabilities	285,920	276,965
Net Assets	$ 669,730	$ 969,080
Income and Expenses		
Income		
Contributions	$2,089,855	$1,997,244
Investment and Reserve Funds	42,567	29,719
Publication Sales	57,112	43,503
Grants	206,000	205,000
Total	2,395,534	2,275,466
Expenses by Program		
Studies of National Economy	943,778	689,447
Government Studies	339,678	340,045
Education and Urban Development Studies	219,619	218,472
International Studies	167,578	185,392
Information and Education Activities	732,370	633,040
Finance Activities	291,861	277,180
Total	2,694,884	2,343,576
Surplus (Deficit)	($299,350)	($68,110)

Note: Expenses by program include allocations of administrative and other expenses

These are unaudited figures. A copy of the audited financial statement is available upon request from: Committee for Economic Development, 477 Madison Avenue, New York, N. Y. 10022.

CED BOARD OF TRUSTEES

Annual meeting of the Board of Trustees in New York, May, 1978.

HONORARY TRUSTEES

TRUSTEES ON LEAVE FOR GOVERNMENT SERVICE

RESEARCH ADVISORY BOARD

CED PROFESSIONAL AND ADMINISTRATIVE STAFF

Committee for Economic Development
477 Madison Avenue, New York, New York 10022 ■ 212-688-2063
1700 K Street, N.W., Washington, D.C. 20006 ■ 202-296-5860

CED
ANNUAL REPORT 1978

A meeting of the CED subcommittee on technology policy.

CED

COMMITTEE FOR ECONOMIC DEVELOPMENT
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New York, New York 10022

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DEPARTMENT OF STATE

Washington, D.C. 20520

As you know, the "Tokyo Round" of the Multilateral Trade Negotiations (MTN) is now being completed. Economists regard this as the most important world trade development in several years--one which will affect the commerce in your state.

Attached for your use is a copy of EXPORTS, a Department of Commerce publication which offers details on the impact of U.S. foreign trade in your state, as well as on the nation as a whole, and our GIST paper on "Multilateral Trade Negotiations."

If you wish further information please write to the Bureau of Public Affairs, U.S. Department of State, Washington, DC 20520.

Bureau of Public Affairs

Minnesota EXPORTS

STATE EXPORT SERIES

U.S. DEPARTMENT OF COMMERCE
A Publication of the Industry and Trade Administration

EXPORTS

Their importance to the United States economy

Most Americans are unaware of the importance of exports to them. News of exports, world trade, and multilateral trade negotiations receive considerable public attention abroad, but not in the United States. Americans are less concerned about exports than the people of any other major industrial nation.

Most people abroad view exports as important to their jobs and their standard of living. Americans, though, tend to see exports as being of marginal importance—certainly not important enough to affect their jobs or their economic well-being. The United States traditionally has been preoccupied with its own huge continental economy. Separated by oceans from other major markets, having a history of self-reliance, and enjoying a resource-rich and broadly based economy, Americans simply are unaccustomed to thinking of themselves as needing to be part of the world economy.

This view is no longer correct—if indeed it ever was. Exports are considerably more important in terms of jobs, inflation, and the value of the dollar than most Americans realize. The United States is the world's largest exporter, currently selling more than $140 billion a year of U.S. goods abroad. About 14 percent—$1 out of every $7—of all U.S. goods produced are exported, and exports have been one of the fastest-growing sectors of the economy.

Many jobs depend on exports

Though most of us are unaware of it, more than one out of every nine Americans employed in manufacturing industries are producing manufactured goods that are exported abroad. Exports affect production and employment in all industries, not just in a few major export industries. For example, while the primary metals industries directly export about $3 billion of their products annually, an additional $17 billion of steel and other metals are exported in the form of American-made computers, aircraft, tractors, and other manufactured goods.

Exports are of great importance to America's farmers as well. They account for $1 of every $4 of farm sales. Likewise, many jobs in the coal mining and mineral industries, as well as a considerable number in the fishing industry, are dependent on overseas sales. Exports, moreover, also support employment in the trucking, rail transport, insurance, and other service industries. In all, it has been estimated that every additional $1 billion of exports results in a total GNP increase of $2 billion.

Increased exports essential

But the basic importance of exports is that they are the principal means by which America pays for its purchases from foreign countries. The United States imports proportionately far less than other major countries, but imports have become increasingly important to the American standard of living—and they have to be paid for. The huge increase in energy prices, for example, has led to a fundamental increase in U.S. imports and an equally fundamental need for a permanent increase in U.S. exports.

The other major industrial nations generally cover the cost of the goods they import by their exports. Exports and imports each account for an average of about 20 percent of the gross national product in that group of countries. American exports, however, were only 6.2 percent of GNP in 1977, while the ratio of imports to GNP stood at 7.8 percent. This gap between exports and imports is the trade deficit, which amounted to $26½ billion in 1977.

While oil imports are an important factor in the deficit, a key problem is that American exports have not grown rapidly enough. U.S. exports have been growing only half as fast as other industrial nations' exports. Had U.S. exports grown as fast as the other industrial nations' in recent years, for example, 1977 exports would have been $13 billion larger—and the U.S. trade deficit would have been cut in half.

All Americans are affected when exports do not grow rapidly enough. A large trade deficit makes U.S. economic growth more difficult to achieve. It is also a major reason why the value of the dollar has declined. This has increased inflation, raising the prices Americans have to pay for all goods—goods imported from abroad and U.S.-made goods that incorporate or compete with imports.

Faster export growth is important to reducing the U.S. trade deficit and to improved productivity and price stability. Exports are important to all the 50 states, and each state plays a significant role in meeting the need to export more. This report helps explain that role and shows the significance and growth of exports in relation to employment and production.

A machinery manufacturing plant in Hopkins. Nonelectric machinery is a leading manufactured export from Minnesota.

U.S. EXPORTS A SIGNIFICANT FACTOR IN THE U.S. ECONOMY

MANUFACTURED EXPORTS

Exports of manufactures grew faster than production from 1972 to 1976, but our need grew even more. . .

Exports accounted for one out of every nine manufacturing jobs in 1976 . . .

Exports were an important share of production for certain products. . .

	Percent exported in 1976
Oilfield machinery	63
Construction machinery	43
Aircraft	35
Turbines and turbine generator sets	32
Computers and related equipment	26
Pumps and compressors	24
Farm machinery	18

AGRICULTURAL EXPORTS

Exports of farm products rose more rapidly than production from FY 72 to FY 77, but a further boost in foreign sales would strengthen the U.S. trade position. . .

Exports accounted for one out of every four dollars of farm sales in 1977. . .

Exports of key agricultural products accounted for major portion of production . . .

	Percent exported in FY 1977
Soybeans and products	60
Cattle hides	58
Almonds	58
Rice	55
Cotton	45
Wheat	40
Tobacco	30

CONTENTS

EXPORT HIGHLIGHTS

- Minnesota's exports of manufactured goods totaled $1,567 million in 1976, which was 140 percent above the 1972 value. They rose almost 2½ times as fast as production.

- An estimated 23,200 jobs in Minnesota were directly related to producing manufactured exports in 1976. About 11,700 additional jobs were required to produce materials and parts for incorporation in products exported from the 50 states. Thus, 34,900 jobs in Minnesota were dependent on exports of manufactured goods—about one of every nine manufacturing jobs in the state.

- Rising exports accounted for $1 out of every $8 of increase in the production of manufactured goods from 1972 to 1976.

- Minnesota's share of U.S. agricultural exports totaled $918 million in FY 1977, more than 2½ times the FY 1972 value. The state was the leading exporter of dairy products. In Minnesota's farm sales, $1 out of every $4 came from exports.

- As the second leading exporter of iron ore in 1977, Minnesota shipped $27 million worth of this product to Canada.

- Major Minnesota exports were nonelectric machinery, manufactured food products, electric and electronic equipment, fabricated metal products, soybeans, feed grains, and wheat.

- The Great Lakes port of Duluth and the international airport of Minneapolis-St. Paul shipped the majority of the $342 million worth of exports passing through Minnesota ports in 1976. Agricultural products were the highest valued commodities exported through Duluth.

MINNESOTA EXPORTS

Manufactured exports rose sharply

Minnesota's exports of manufactured goods [1] totaled $1,567 million in 1976, nearly 2½ times the 1972 value. The state ranked 16th nationally in sales of these products to foreign countries. Its exports accounted for 2 percent of the U.S. total. The recent growth was several times greater than that from 1969 to 1972.

Shipments from Minnesota firms to domestic consumers rose by 54 percent during 1972–76. Thus, of the state's total growth in manufacturing output, 12 percent was generated by exports. The share of production accounted for by foreign sales rose from 5.1 percent in 1972 to 7.7 percent in 1976.

Nonelectric machinery, manufactured food, electric and electronic equipment, and fabricated metal products were Minnesotas major exports, representing more than three-fourths of the 1976 total. In addition, overseas sales of transportation equipment, instruments, chemicals, and paper products were substantial, ranging in value from $39 million to $95 million.

Nonelectric machinery was the leading manufactured export from the state. Valued at $721 million, these foreign sales accounted for 24 percent of the industry's production and placed Minnesota as the 10th largest exporter of these goods in the nation. About one-fifth of the work force in this industry, the state's largest employer for the production of manufactures, was dependent on exports. Office and computing machines and construction equipment were the principal types of nonelectric machinery sold overseas. Shipments of the former, valued at $375 million, represented one-third of the state's production, accounted for one-half of the state's exports of such machines, and generated about 6,100 jobs for Minnesota employees. More than 30 percent of the workers in the construction machinery industry held export-related jobs, while foreign sales accounted for well over a third of the state's output.

Exports of manufactured food, which included meat and grain mill products, tripled from 1972 to 1976 to $231 million. The state ranked seventh in the nation as an exporter of this industry's products. An estimated 800 jobs were dependent on overseas shipments.

Minnesota's exports of both electric and electronic equipment and fabricated metal products climbed sharply after 1972. Foreign shipments of the former grew from $24 million to $164 million in 1976, while those of fabricated metal products expanded from $9 million to $102 million. Each accounted for about one-quarter of the growth in output in these industries over the 5-year period.

Minnesota ranked 17th nationally as an exporter of electric and electronic equipment. Exports from the state provided 3,200 jobs. About half of the industry's exports were electrical industrial apparatus, employing about 1,500 workers. Other sizable exports were household appliances and electronic components.

Ordnance and accessories exports, the major fabricated metal products sold abroad, were responsible for almost one-fifth of the state's output. Fabricated structural metal products and hardware were other exports from the industry.

The Minneapolis-St. Paul area was Minnesota's principal industrial center producing manufactures for export. Foreign sales totaled $1,034 million in 1976, which was two-thirds of the manufactured exports from the state. Almost 70 percent of Minnesota's nonelectric machinery overseas sales were produced there. Export activity in this area generated 16,700 jobs, close to three-fourths of the state total. Rochester was also a major export center, shipping abroad $100 million worth of goods in 1976. About 1,700 jobs, one-fifth of that area's total employment, were export-related. (See tables 1, 2, 3, and 6.)

The state's economy benefits from goods produced not only for direct shipment to foreign destinations but also from those for ultimate export through other states. Minnesota's export figures for manufactures exclude the output of supplying establishments that furnish parts and materials to manufacturers producing goods in final form for export. Such indirect exports are particularly important in industries whose products require further processing such as primary metals, fabricated metal products, and chemicals, and also in those industries whose products constitute components and parts for assembly into machinery, electric equipment, and transportation equipment.

For the United States as a whole, the Census Bureau has estimated that the full impact of exports on total U.S. manufacturing activity was 12.4 percent of shipments rather than the 7 percent attributable to direct exports as shown in table 6. Estimates of the full impact for each state have not been attempted, but it can be assumed that the figures given above for Minnesota, which reflect direct exports only, are an understatement.

State 10th in agricultural exports

Minnesota ranked 10th in the nation in exports of agricultural products, including some manufactures of farm origin. These shipments totaled an estimated $918 million in FY 1977, more than 2½ times the FY 1972 level. Soybeans, feed grains, and wheat and flour, each valued at about $200 million in FY 1977, comprised about two-thirds of the total value. Other significant export commodities were protein meal and hides and skins. Minnesota was the leading exporter of dairy products with shipments of $36 million.

The strong growth in agricultural exports from FY 1972 to FY 1977 accounted for 35 percent of the rise in farm sales and added substantially to the income of Minnesota farmers. In this period, the export contribution to each dollar of the state's farm sales increased from 16 to 24 cents. (See tables 4 and 5.)

Iron ore exports grew

Minnesota exported $27 million of iron ore in 1977, or 42 percent more than in 1972. The state was the second leading exporter of this product in 1977, exceeded only by Michigan. All of this ore was shipped to Canada.

continued on back cover

MINNESOTA: Table 1

MANUFACTURED EXPORTS, PRODUCTION, AND EMPLOYMENT, 1976

- *Minnesota's leading manufactured exports were nonelectric machinery, food products, and electric equipment.*
- *These three industries accounted for 71 percent of Minnesota's total exports of manufactures.*

Industry group	Production (million dollars)	Estimated exports (million dollars)	Exports as percent of production	Estimated employment related to exports (thousands)	Employment related to exports as percent of total employment
Total	[1] 20,440	1,567	7.7	[1] 23.2	7.2
Machinery, except electric	3,051	721	23.6	11.5	19.6
Food and kindred products	6,560	231	3.5	0.8	1.7
Electric and electronic equipment	1,213	164	13.5	3.2	13.8
Fabricated metal products	1,427	102	7.2	2.7	8.6
Transportation equipment	836	95	11.4	1.0	11.4
Instruments and related products	508	80	15.9	1.6	14.9
Chemicals and allied products	714	61	8.5	0.5	8.2
Paper and allied products	1,321	39	2.9	0.4	2.5
Misc. manufacturing industries	([1])	10–24	. . .	([1])	. . .
Lumber and wood products	646	16	2.5	0.2	1.9
Textile mill products	76	12	15.1	0.2	9.4
Leather and leather products	([1])	5–9	. . .	([1])	. . .
Stone, clay, and glass products	516	5	0.9	0.1	0.8
Printing and publishing	928	5	0.5	0.1	0.5
Rubber and plastic products	331	5	1.6	0.1	1.8
Primary metal industries	400	4	0.9	0.1	1.6
Petroleum and coal products	1,173	3	0.3	([2])	. . .
Apparel and textile products	229	2	0.7	0.3	4.4
Furniture and fixtures	139	1	0.9	([2])	. . .
Tobacco manufactures	([1])	([3])	. . .	([1])	. . .

[1] Total includes production values and employment numbers which are withheld for certain industry groups to avoid disclosure of individual companies' data.
[2] Less than 50 employees.
[3] Less than $500,000.
. . . Not applicable.

MINNESOTA: Table 2

GROWTH IN MANUFACTURED EXPORTS

- *The 140 percent growth in export value from 1972 to 1976 was much faster than the rate of expansion in production.*
- *Over a third of the increase in nonelectric machinery production and about a fourth of the rise in electric equipment and fabricated metal output was generated by export growth.*

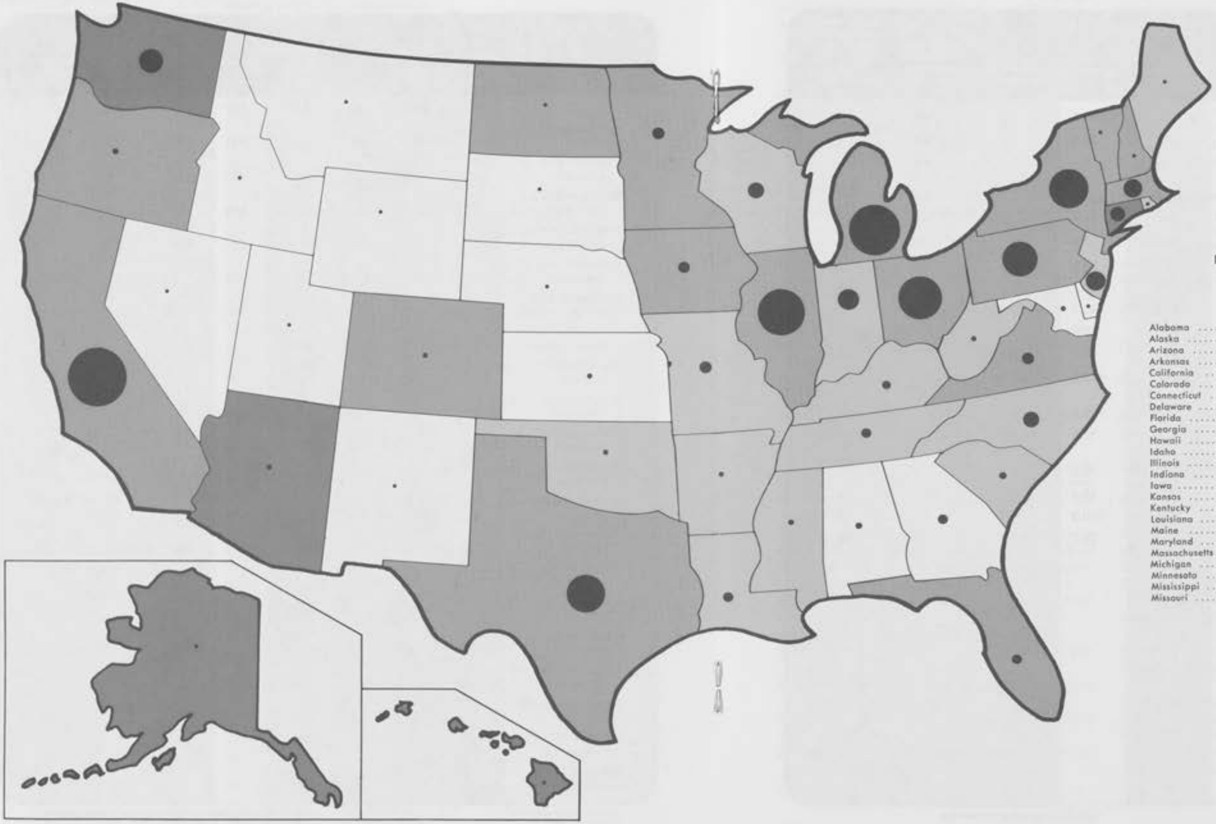
Industry group	Export value in millions of dollars: 1960	1966	1969	1972	1976	Percent increase from 1972 to 1976: Exports	Production	Export increase as percent of production increase 1972–76
Total	172	326	492	654	1,567	140	58	12
Machinery, except electric	47	132	243	351	721	105	48	37
Food and kindred products	36	73	66	73	231	217	53	7
Electric and electronic equipment	45	21	20	24	164	581	98	23
Fabricated metal products	5	9	6	9	102	986	32	27
Transportation equipment	([1])	23	52–57	94	95	1	31	1
Instruments and related products	([1])	19	28	([1])	80	. . .	. . .	. . .
Chemicals and allied products	7	5–10	10–25	([1])	61	. . .	. . .	. . .
Paper and allied products	9	9	9	([1])	39	. . .	. . .	. . .
Misc. manufacturing industries	17	18	26	([1])	10–24	. . .	. . .	. . .
Lumber and wood products	2	1–5	1–5	([1])	16	. . .	. . .	. . .
Textile mill products	1	1–5	1–5	([1])	12	. . .	. . .	. . .
Leather and leather products	([1])	0–1	0–1	([1])	5–9	. . .	. . .	. . .
Rubber and plastic products	([1])	1–5	1–5	([1])	5	. . .	. . .	. . .
Printing and publishing	1	1–5	1–5	([1])	5	. . .	. . .	. . .
Stone, clay, and glass products	([1])	1–5	1–5	([1])	5	. . .	. . .	. . .
Primary metal industries	([1])	1–5	1–5	([1])	4	. . .	. . .	. . .
Petroleum and coal products	([1])	0–1	0–1	([1])	3	. . .	. . .	. . .
Apparel and textile products	2	1–5	1–5	([1])	2	. . .	. . .	. . .
Furniture and fixtures	([1])	0–1	0–1	([1])	1	. . .	. . .	. . .
Tobacco manufactures	([1])	([1])	([1])	([1])	([2])	. . .	. . .	. . .

[1] Not available separately.
[2] Less than $500,000.
. . . Not applicable.

Note: Totals for all years include values for industry groups which are not shown separately.

MANUFACTURED EXPORTS BY STATE

- *All 50 states shared in U.S. exports of manufactures.*
- *Exports accounted for varying percentages of domestic production.*



Estimated Value of Exports of Manufactures, 1976
(Indicated by size of ●)
(in millions of dollars)

United States total 83,098

Alabama	832	Montana	44
Alaska	233	Nebraska	309
Arizona	639	Nevada	27
Arkansas	651	New Hampshire	291
California	8,072	New Jersey	2,660
Colorado	616	New Mexico	69
Connecticut	1,958	New York	5,320
Delaware	188	North Carolina	2,202
Florida	1,363	North Dakota	85
Georgia	1,364	Ohio	5,794
Hawaii	51	Oklahoma	579
Idaho	169	Oregon	824
Illinois	6,660	Pennsylvania	4,706
Indiana	2,828	Rhode Island	268
Iowa	1,500	South Carolina	935
Kansas	635	South Dakota	68
Kentucky	1,137	Tennessee	1,253
Louisiana	1,383	Texas	5,201
Maine	255	Utah	224
Maryland	641	Vermont	200
Massachusetts	2,502	Virginia	1,545
Michigan	6,888	Washington	3,235
Minnesota	1,567	West Virginia	447
Mississippi	698	Wisconsin	2,209
Missouri	1,622	Wyoming	10

Estimated Exports as Percent of Production, 1976
(Indicated by shading)

1.2% to 4.9%

5.0% to 6.4%

6.5% to 9.9%

10% or more

MINNESOTA: Table 3

SMSA EXPORTS OF MANUFACTURES, 1976

- *Shipments from the five standard metropolitan statistical areas contributed substantially to the state's exports of manufactures.*
- *Minneapolis-St. Paul was the leading export area.*

Standard metropolitan statistical area (SMSA)	Production (million dollars)	Estimated exports (million dollars)	Exports as percent of production	Estimated employment related to exports (thousands)	Employment related to exports as percent of total employment
State total	20,440	1,566.7	7.7	23.2	7.2
Duluth-Superior, Minn.-Wis.	662	55.0	8.3	0.4	4.2
Fargo-Moorhead, N. Dak.-Minn.[1]	404	30.1	7.4	0.3	6.4
Minneapolis-St. Paul, Minn.-Wis., total	12,033	1,033.6	8.6	16.7	7.9
Food and kindred products	2,097	56.9	2.7	0.2	1.3
Lumber and wood products	302	0.8	0.3	(2)	(3)
Paper and allied products	697	38.3	5.5	0.4	4.2
Printing and publishing	739	2.7	0.4	0.1	0.4
Chemicals and allied products	613	54.3	8.9	0.4	8.6
Rubber and plastic products	259	3.3	1.3	0.1	1.5
Fabricated metal products	1,186	94.9	8.0	2.5	9.5
Machinery, except electric	2,162	488.8	22.6	8.2	19.1
Electric and electronic equipment	953	139.5	14.6	2.5	15.1
Transportation equipment	612	55.8	9.1	0.2	5.7
Instruments and related products	375	70.6	18.8	1.5	17.2
Misc. manufacturing industries	208	10.6	5.1	0.3	5.2
Rochester	621	100.3	16.1	1.7	19.5
St. Cloud	560	28.2	5.0	0.3	3.6

[1] Includes Clay County in Minnesota.
[2] Less than 50 employees.
[3] Less than one half of one percent.

MINNESOTA EXPORTING COMPANIES*

These companies are illustrative of those which contribute to the merchandise exports of Minnesota.

ADC Products, Minneapolis: Industrial controls
AG-CHEM, Inc., Minneapolis: Farm equipment
American Hoist & Derrick Co., St. Paul: Hoists, cranes
American Medical Systems, Minneapolis: Medical products
American Precision Golf Corp., Worthington: Sporting goods
Bellanca Aircraft Corp., Alexandria: Aircraft
Bison Instruments, Inc., Minneapolis: Geophysical instruments
Bondhus Tool Company, Inc., Monticello: Screwdrivers
CHROMA GLO, Inc., Duluth: Films, photo emulsions
Continental Hydraulics, Savage: Machine tools, hydraulic pumps and valves
Control Data Corp., Minneapolis: Electronic components
Conwed Corp., St. Paul: Acoustical tile board, plastic netting and tubing
Data 100 Corp., Minneapolis: Electronic components
Despatch Industries, Minneapolis: Baking ovens, industrial ovens
Donaldson Co. Inc., Minneapolis: Motor vehicle parts and accessories
Electric Machinery Mfg. Co., Minneapolis: Motors and generators
Farmhand, Inc., Hopkins: Farm equipment
FIBERITE Corp., Winona: Plastic molding materials
FLUOROWARE, Inc., Chaska: Teflon laboratory ware
Forsbergs, Inc., Thief River Falls: Screening and separating machines
Garelick Mfg. Co., St. Paul Park: Marine accessories
Honeywell, Inc., Minneapolis: Temperature controls
Husky Hydraulics, Two Harbors: Hydraulic cranes, loading equipment
International Multifoods Corp., Minneapolis: Flour and grain products
Johnson Reels, Inc., Mankato: Sporting goods
Katolight Corporation, Mankato: Motors and generators
L & M Radiator, Inc., Hibbing: Motor vehicle parts and accessories
Lake Center Switch Co., Winona: Switches, small household appliances
LARCO Mfg. Co., Brainerd: Automatic door mat switches, magnetic reels
Longyear Co., Minneapolis: Mining equipment
Lund American, Inc., New York Mills: Boats
MTS Systems Corp., Eden Prairie: Industrial controls
Malco Products, Inc., Annandale: Hand tools, riveters
McLaughlin-Gormley-King Co., Minneapolis: Insecticides
MedGeneral, Minneapolis: Medical equipment
Minnesota Automotive, Inc., N. Mankato: Motor vehicle parts and accessories
3M Co., St. Paul: Coated abrasives
Minnesota Valley Engineering, New Prague: Cryogenic vessels
Napco Industries, Hopkins: Motor vehicle parts and accessories
Nord Photo Engineering, Inc., Minneapolis: Photo printing equipment, processors
The Northland Group, Inc., Chaska: Sporting goods
Nortronics Co., Inc., Minneapolis: Electronic components
Nutting Truck & Caster Co., Faribault: Casters, wheels, floor trucks
Onan Corp.-Onan Div., Fridley: Motors and generators
Owatonna Tool Co., Owatonna: Hand tools, hydraulic presses
Pako Corp., Minneapolis: Photo processors
Peavey Co., Minneapolis: Flour and grain mill products
The Pillsbury Co., Minneapolis: Flour and grain products
PORTEC, Inc., Minneapolis: Asphalt mixers, rock crushers
Proximity Controls, Inc., Fergus Falls: Switches
Schaper Mfg. Co., Minneapolis: Toys and games
SEECO, Inc., Willmar: Livestock feed additives
Silent Knight Security Systems, Minneapolis: Communictaion and security systems
Stinar Corp., St. Paul: Aircraft ground support equipment
TEL-E-LECT, Minneapolis: Rotating derricks
Telex Communications, Inc., Minneapolis: Electronic components
Tonka Corp., Hopkins: Games and toys
TORO Co., Minneapolis: Lawn mowers, snow blowers
Washington Scientific Industries, Long Lake: Microfilm viewers, hydraulic motors
A. R. Wood Co., Luverne: Poultry equipment

* This listing should not be considered as an endorsement by the Department of Commerce of the companies or their products.

MINNESOTA: Table 4

AGRICULTURAL EXPORTS*

- *In fiscal 1977, Minnesota's share of U.S. agricultural exports totaled $918 million, about two and a half times the 1972 value.*
- *Soybeans, feed grains, and wheat were the leading farm exports from the state.*

Product	Export value in millions of dollars FY 1964	FY 1968	FY 1972	FY 1977	Percent increase 1972 to 1977
Total	222	226	347	918	164
Soybeans	43	53	78	216	177
Feed grains	47	50	72	205	185
Wheat and flour	43	32	32	182	467
Protein meal	6	15	23	50	114
Hides and skins	4	6	15	48	217
Dairy products	28	20	54	36	−34
Meats and products	7	7	9	30	243
Lard and tallow	12	9	9	22	137
Soybean oil	6	7	13	20	62
Vegetables and preparations	3	3	3	16	388
Poultry products	2	2	3	8	219
Fruits and preparations	(1)	(1)	(1)	(1)	200
Nuts and preparations		(2)	(2)	(2)	...
Flaxseed	2	3	1	(2)	...
Other propducts	18	20	35	84	141

* Exports reflect shares in national exports according to each state's production.
[1] Less than $500,000.
[2] Not available.
...Not applicable.

UNITED STATES: Table 5

AGRICULTURAL EXPORTS BY STATE

- *Exports accounted for one-fourth of total U.S. farm sales in FY 1977 and for more than 25 percent of sales from 17 of the states.*
- *Illinois, Iowa, California, Texas, and Indiana each exported more than $1 billion of farm products.*

State	Rank as exporter FY 1977	Export value in millions of dollars FY 1964	FY 1968	FY 1972	FY 1977	Percent change FY 1972 to FY 1977	Exports as percent of farm sales [1] FY 1977
U.S., total	...	[2] 6,076	[2] 6,315	8,050	24,013	198	25.5
Illinois	1	504	585	758	2,539	235	44.6
Iowa	2	331	392	620	2,042	230	28.9
California	3	421	413	592	1,774	200	19.2
Texas	4	484	551	456	1,761	286	26.9
Indiana	5	251	252	384	1,319	243	40.8
Kansas	6	337	296	365	998	174	26.8
Nebraska	7	205	230	283	988	249	26.8
North Carolina	8	321	366	420	964	129	35.8
Ohio	9	201	194	262	957	265	34.1
Minnesota	**10**	**222**	**226**	**347**	**918**	**164**	**23.7**
Arkansas	11	207	255	352	907	158	37.7
Missouri	12	193	174	317	766	142	28.5
Mississippi	13	157	164	230	648	182	38.4
North Dakota	14	194	166	250	554	122	34.5
Louisiana	15	100	155	191	543	184	41.6
Georgia	16	114	132	173	476	175	21.9
Kentucky	17	65	69	132	473	258	27.4
Washington	18	147	152	163	414	154	23.0
Oklahoma	19	133	115	108	410	281	21.1
Florida	20	96	101	148	390	164	15.3
Tennessee	21	102	102	143	390	172	28.7
Alabama	22	70	56	102	332	225	22.4
Montana	23	128	107	101	322	218	33.4
Michigan	24	116	92	107	318	198	18.3
South Carolina	25	94	107	135	312	132	38.4
Arizona	26	65	61	70	285	307	23.7
Wisconsin	27	78	59	104	263	153	8.7
Idaho	28	73	66	91	262	187	22.0
Colorado	29	54	63	98	239	144	11.9
Virginia	30	68	80	92	225	145	22.4
South Dakota	31	77	95	124	210	69	13.5
Oregon	32	69	49	65	182	182	17.5
Pennsylvania	33	71	65	42	137	225	7.3
Maryland	34	34	35	41	136	231	20.1
New York	35	78	63	44	109	150	6.4
New Mexico	36	25	24	28	82	195	11.1
Hawaii	37	(3)	16	17	59	241	18.0
Utah	38	18	14	19	55	186	15.5
Delaware	39	13	15	14	53	280	19.5
Alaska	40	(4)	(4)	(4)	38	...	...
New Jersey	41	21	19	11	38	235	10.6
Wyoming	42	8	8	16	38	139	8.5
Maine	43	10	6	5	28	502	6.5
Connecticut	44	5	8	12	22	72	9.2
Massachusetts	45	4	5	6	12	87	5.4
West Virginia	46	5	6	4	11	166	7.5
Nevada	47	1	2	4	10	129	7.0
Vermont	48	2	2	4	3	−18	1.2
New Hampshire	49	1	1	1	2	171	2.4
Rhode Island	50	(3)	(3)	(3)	1	800	3.4

[1] Commercial sales plus net Commodity Credit Corporation loans and purchases under price support programs.
[2] Includes exports that were not apportioned among states.
[3] Less than $500,000.
[4] Not available.
...Not applicable.

UNITED STATES: Table 6

MANUFACTURED EXPORTS BY STATE

- *California, Michigan, Illinois, Ohio, and New York continued to be the top five exporters of manufactures in 1976.*
- *Manufactured exports totaled one billion dollars or more for almost half of the fifty states.*

State	Rank as exporter in 1976	Export value in millions of dollars 1966	1969	1972 [1]	1976	Percent change from 1972 to 1976	Estimated exports as percent of state production	Employment related to exports as percent of state employment
U.S., total	...	21,299	29,210	36,608	83,098	127	7.0	6.3
California	1	1,786	2,721	2,809	8,072	187	7.9	7.7
Michigan	2	1,568	2,613	3,522	6,888	96	8.6	7.0
Illinois	3	1,869	2,343	2,902	6,660	129	8.1	6.9
Ohio	4	1,670	2,338	3,054	5,794	90	6.9	6.8
New York	5	1,838	2,296	2,795	5,320	90	7.0	5.8
Texas	6	1,100	1,468	1,982	5,201	162	6.7	7.2
Pennsylvania	7	1,542	1,902	2,351	4,706	100	6.5	6.3
Washington	8	602	954	1,781	3,235	82	17.2	12.5
Indiana	9	661	998	1,404	2,828	101	6.3	5.9
New Jersey	10	980	1,114	1,328	2,660	100	5.8	4.7
Massachusetts	11	600	818	920	2,502	172	9.3	8.2
Wisconsin	12	620	785	916	2,209	141	6.2	6.2
North Carolina	13	560	739	705	2,202	212	6.1	4.4
Connecticut	14	489	659	848	1,958	131	10.7	9.0
Missouri	15	369	634	577	1,622	181	5.9	5.3
Minnesota	**16**	**326**	**492**	**654**	**1,567**	**140**	**7.7**	**7.2**
Virginia	17	499	581	716	1,545	116	7.5	5.7
Iowa	18	337	412	590	1,500	154	7.2	8.6
Louisiana	19	319	396	541	1,383	156	5.5	5.0
Georgia	20	354	428	580	1,364	135	4.8	4.5
Florida	21	310	426	567	1,363	140	7.5	6.0
Tennessee	22	340	472	679	1,253	85	5.1	3.9
Kentucky	23	300	345	451	1,137	152	5.6	4.4
South Carolina	24	180	254	312	935	200	5.6	4.4
Alabama	25	186	318	287	832	190	4.6	3.8
Oregon	26	143	240	237	824	248	6.7	6.9
Mississippi	27	137	181	236	698	196	6.4	4.5
Arkansas	28	134	204	320	651	103	6.1	3.8
Maryland	29	236	362	314	641	104	4.3	4.3
Arizona	30	106	157	266	639	140	10.3	11.6
Kansas	31	152	241	283	635	124	4.3	6.1
Colorado	32	94	157	245	616	151	6.5	6.6
Oklahoma	33	117	158	252	579	130	5.7	5.7
West Virginia	34	206	235	295	447	52	5.6	3.8
Nebraska	35	62	100	134	309	131	3.5	4.2
New Hampshire	36	52	74	103	291	183	8.3	7.4
Rhode Island	37	92	110	107	268	150	5.9	5.0
Maine	38	49	77	83	255	207	5.8	4.2
Alaska	39	31–46	33–48	(2)	233	...	23.5	22.8
Utah	40	58	48	127	224	76	4.8	5.2
Vermont	41	43	52	52	200	285	9.7	8.5
Delaware	42	58	124	128	188	47	3.7	2.9
Hawaii	43	10–25	10–25	(2)	183	...	9.9	11.2
Idaho	44	27	35	27	169	526	4.9	4.0
North Dakota	45	4	7	14	85	507	6.8	9.9
New Mexico	46	23	16	18	69	283	4.5	2.6
South Dakota	47	8	13	(2)	68	...	4.2	4.8
Montana	48	16	14	(2)	44	...	1.7	1.8
Nevada	49	5–10	10–25	7	27	286	3.8	2.2
Wyoming	50	1–5	1–5	(2)	10	...	1.2	...

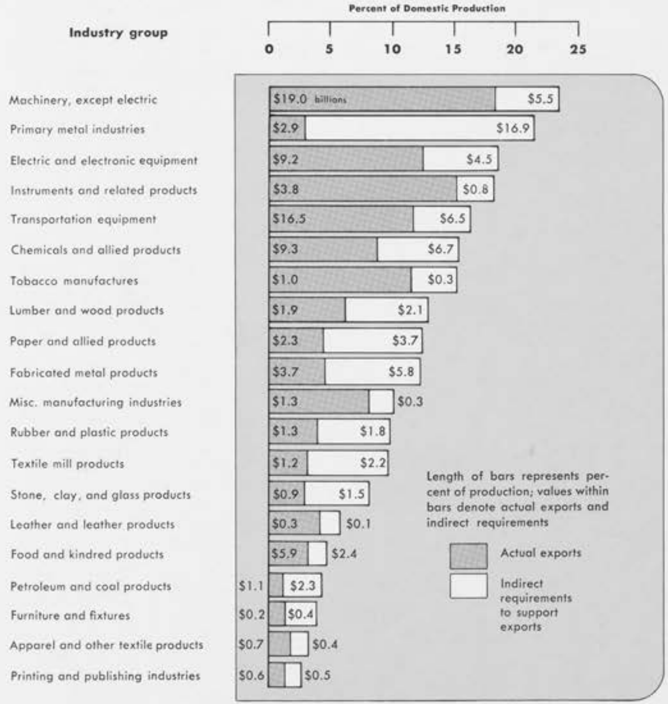
[1] Includes values withheld for five states listed below.
[2] Estimate withheld to avoid disclosing figures for individual companies.
[3] Figure withheld because the estimate did not meet publication standards.
...Not applicable.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1978 O—278-087

UNITED STATES

EXPORTS* OF U.S. MANUFACTURING INDUSTRIES RELATED TO DOMESTIC PRODUCTION, 1976

*** Actual Exports and Indirect Requirements to Support Exports**



Note: Percentages shown for each industry indicate the total relative impact of exports on the domestic economy, including actual exports and goods shipped from domestic establishments for use as inputs in manufactured products exported from other establishments. Such inputs are included in domestic production industry totals.

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continued from page 3

Ports were busy

The ports of Minnesota ranked 21st in terms of the value of U.S. merchandise shipped to foreign destinations in 1976. Measured by volume, it placed 16th in the nation. In 1976, 2.9 million tons of cargo valued at $342 million passed through Minnesota ports. While most of these goods were transported by water, $84 million worth was sent by air, mostly from Minneapolis-St. Paul.

The largest port in Minnesota is Duluth. Wheat was the highest-valued commodity shipped through this port, but barley and oil seeds also were important.

The state derives considerable income and employment from forwarding, warehousing, transport, and other foreign trade-related services.

Export-related employment significant

Minnesota's $1,567 million worth of manufactured exports provided direct employment for an estimated 23,200 workers in 1976. Those jobs constituted 7.2 percent of the state's direct employment in manufacturing. From 1972 to 1976 the number of workers engaged in the production of manufactures advanced modestly, while export-related employment rose by 65 percent.

Three quarters of the workers producing for export were concentrated in the four major industries discussed above. These jobs accounted for between 2 and 20 percent of the work force in those industries.

In addition, an estimated 11,700 jobs were required in the state to manufacture products used by other establishments in the United States as inputs for manufactures that were ultimately exported. More than three-fifths of these jobs were in the primary and fabricated metals and the electric and nonelectric machinery industries.

Thus, an estimated 34,900 jobs in Minnesota were directly or indirectly dependent on exports of manufactured goods. This was 10.9 percent of all manufacturing employment in the state.

As shown in table 3, direct export employment tended to be located in the state's major industrial areas. About 16,700 workers were dependent on exports in the Minneapolis-St. Paul area which includes St. Croix County in Wisconsin. Nearly 8 percent of the area's employment in manufacturing was export-related. In the Rochester area the proportion was about 20 percent.

It is estimated that Minnesota's farm employment related to exports in 1977 amounted to about 47,800, or almost one out of every four farmers. This estimate assumes that the number of farmers dependent on exports corresponds to the ratio of exports to farm sales in the state. Depending on numerous variables, including the character of the product, mechanization, and degree of intensiveness of farming, it may somewhat understate or overstate the actual number dependent on exports.

[1]Manufactured goods in this report relate to manufactures as defined in the Standard Industrial Classification, and include manufactured food, mineral fuels, fats, oils, firearms, and ammunition not typically part of the Standard International Trade Classification definition of manufactures. For the United States as a whole, these additional products totaled $15.1 billion in 1976. Exports, normally valued at the port of exportation, are adjusted to f.o.b. plant values to make accurate comparisons with production (shipments) data.

STATE EXPORT REPORTS

This report is one of a series of 50 prepared by the Office of International Economic Research of the Industry and Trade Administration on exports from the individual states. Data on manufactured and agricultural exports are presented in tabular form for a series of years. In addition, recent information is included on state exports of fish, fish products, and minerals, and on exports through state ports.

The statistics on 1976 exports of manufactures by state and standard metropolitan statistical areas were taken from **Origin of Exports of Manufacturing Establishments, 1976,** M76(AS)8, issued by the Bureau of the Census in June 1978. This publication, which includes data for many states at a more detailed level than presented here, can be ordered from the Subscriber Services Section, Bureau of the Census, Washington, D.C. 20233, or from any U.S. Department of Commerce District Office for $1.60 per copy. Data for earlier years were taken from similar Census reports now out of print.

The information on state shares of agricultural exports was taken from various issues of **Foreign Agricultural Trade of the United States** published by the Department of Agriculture.

Special compilations on exports of minerals and mineral fuels by state were provided by the Bureau of Mines, Department of the Interior, and by the Energy Information Administration, Department of Energy, and on fish and fishery products by the National Oceanic and Atmospheric Administration, Department of Commerce. Statistical information on trade by ports came from reports of the Foreign Trade Division, Bureau of the Census.

U.S. DEPARTMENT OF COMMERCE • INDUSTRY AND TRADE ADMINISTRATION

Agricultural trade

In previous rounds, trade negotiators had attempted to grapple with agricultural trade problems, but their efforts fell short; in fact, some U.S. farm groups describe their efforts as "selling farmers down the river."

This time, U.S. farmers started early to make sure they got some of the benefits of a trade agreement. Their thinking is easy to understand: in no other sector does the United States have such a clear and overwhelming competitive advantage. And, in fact, trade in agricultural products has been increasing dramatically. Last year alone, over half the total U.S. wheat and soybean production was exported. As Agriculture Secretary Bob Bergland has noted, these gains were made in an atmosphere of protectionist sentiment and pressures. U.S. agriculture interests wanted to make sure that provisions in the agreement reduced these pressures.

In the estimation of U.S. trade officials and some farmers' groups, U.S. agriculture *will* gain from the MTN agreement. As Administration representatives put it, the MTN protects U.S. farmers' existing export markets through the limit on use of export subsidies, and it cracks open new doors that have been closed to us. The most publicized of these new markets are Japan and the European Community, which have agreed to accept more high-quality meat. In addition, Japan, the European Community and other developed countries are now prepared to import such secondary farm products as canned peaches, pears and fruit cocktail. These concessions give U.S. producers the opportunity to move away from their traditional role as suppliers of generally low-cost grains to serve a more affluent foreign market with higher-cost food items.

Agricultural information-sharing agreements were also negotiated, including the Bovine Meat Arrangement, which creates an International Meat Council, and the International Dairy Arrangement, which creates a similar Dairy Products Council. The latter also sets prices below which commercial trade in dairy products is prohibited.

Developing countries

For the first time, many developing countries participated in the MTN, and it is hoped that some 20 to 25 of them will sign. This is a significant development in the world's trading network, for it recognizes what is already fact: that developing nations play an increasingly important role in world trade.

Most of the codes in the trade agreement contain special provisions for developing countries; for instance, they will be allowed to use subsidies more extensively than will developed countries. In order to have these special provisions in the codes, nations had to agree to changes in the GATT framework—the set of general rules and principles to which specific trade actions must conform.

Currently under GATT, trade actions are governed by the principles of nondiscrimination—the most-favored-nation concept mentioned earlier—and reciprocity, meaning that concessions granted must be reciprocated in kind. However, these principles work better among economic equals than they do between developed and developing countries, a fact previously recognized when developed countries were permitted to waive the MFN and reciprocity principles and allow some developing-country products to enter their markets duty-free.

Since this waiver will expire in 1980, one objective of the Tokyo Round was to build the option of "special and differential treatment" into the GATT framework itself.

Granting special and differential treatment to developing countries brings them in from the periphery of the world trading system and requires them to assume obligations and responsibilities under the GATT. These obligations will be strengthened by the principle of "graduation," under which developing nations agree to relinquish special treatment—sector by sector—as their development continues. Developed countries, moreover, are authorized to retract special concessions, if in their judgment, they are no longer required.

The road ahead

On January 4, 1979, when President Carter sent to Congress his notification of intent to enter a new trade agreement, he set in motion the procedures established in the 1974 Trade Act. In that act, Congress gave itself a larger role than in the past in approving trade agreements: while the President is authorized to raise or lower tariffs, the other elements of the trade package are subject to its approval.

During the consultation process that began on January 4, Congress and the Administration are to discuss the ramifications of the package for U.S. law and the U.S. trading posture. This period is a minimum of 90 calendar days and could be longer. At the end of it (April 4 or sometime thereafter) the Administration will send to the Hill an omnibus bill to implement the agreement. This bill will have a number of elements, because several U.S. laws must be brought into conformity with the international trade agreement. The Administration may also submit other legislative proposals (such as export promotion proposals) as a part of the bill implementing the trade agreement.

Congress will then have about 90 *legislative* days to act on it. The House Ways and Means and the Senate Finance Committees will have primary jurisdiction. Other committees, such as the Agriculture Committees, will be deeply involved. After it is reported from committee, both houses will vote on it. Unlike most bills, it will be nonamendable: if either House rejects one part of it, the entire package will be disapproved. The three-month consultation period, therefore, is the critical time for congressional input.

It is impossible to predict with certainty just when Congress will complete action on the trade bill. First of all, the actual negotiations are not complete in all respects, and slippages in the negotiations mean time lags in Congress. Legislative days can be extended by not officially ending the day, and recesses will also extend the time period. As one Senate Finance Committee aide puts it, "It is easy to imagine a scenario in which congressional consideration extends into 1980."

Trade among nations does mean more than the exchange of goods and services across national borders. Trade is the main way that nations relate to one another. Good trading relations can help pave the way for better cooperation in all international and national endeavors in which an action by one nation affects the interests and the security of other nations. Conversely, a breakdown of cooperation in trade can signal the deterioration of relations in many areas. Viewed in this context, the MTN is much more than the technical package of agreements. It is a blueprint that nations pledge to follow in an effort to avoid disharmony and misunderstanding. It is, finally, in this context that all of us, both as individuals and as nations, must judge the agreement.

Researched and written by Joan E. Twiggs, department head, LWVEF International Relations Department.

Order from League of Women Voters of the United States, 1730 M Street, NW, Washington, DC 20036. Pub. No. 546, 30¢.

MTN: BREAKING THE NONTARIFF BARRIER

The new multilateral trade agreements are the subject of newspaper headlines, TV talk shows and congressional hearings. And for good reason. They touch the lives of all of us—manufacturers, retailers, farmers, workers and consumers. Now, from years of talk and inches-thick documents, real breakthroughs in international cooperation are emerging. It's worth some effort to master the jargon of the trade world and the veiled language of diplomacy to get at the meat of the agreements, which are the product of nearly six years of multilateral trade negotiations (MTN). Most of what remains to be done in finalizing the agreements is dotting the i's and crossing the t's—and getting each nation to endorse what the negotiators have wrought. In the United States, that means persuading Congress to enact changes in existing laws, to bring them into alignment with the international agreements that Administration officials have agreed to.

The Tokyo Round, as it is called, began in 1973 as an outgrowth of an economic summit meeting convened in Tokyo by the major trading nations (though Geneva has been the site of the negotiations themselves). It is the seventh such round since 1947, when the multilateral (many-nation) approach to trading was first established through the General Agreement on Tariffs and Trade (GATT). GATT is not only the first of the sequence of MTN agreements but also the institutional arrangement that monitors and facilitates trade relations among nations.

Participants in the Tokyo Round (98 nations in all) had a double mandate. The first was **to continue working toward eliminating tariffs** (taxes on imports). Earlier negotiations have brought tariffs down to an average of only 8 to 10 percent, and the new agreements will reduce them by about another third. The second mandate—**to devise codes of conduct** (shortened, usually, to *codes*) **governing the use of nontariff measures** that affect trade—was a new task. And though the successive reductions in tariffs have never been easy, negotiations on nontariff barriers (usually called NTBs) have proven to be even more difficult.

Whereas a tariff is indisputably a barrier to trade, the protectionist intent of many NTBs is often much more difficult to pinpoint, because they often stem from domestic policies whose primary purposes are not trade-related. For example, if a health standard has the effect of excluding another nation's food products, is that standard an NTB? When do subsidies, which all nations use to achieve domestic goals, constitute an artificial advantage in another country's market place? The answer partially depends on whose ox is gored.

And because NTBs often arise from domestic policy, they present an extremely delicate international negotiating situation. Governments don't like other countries to tell them what is and what is not an acceptable domestic policy. It is something of a political miracle that so many governments agreed to sit down and bargain on the use of nontariff measures, and even more astonishing that they reached agreement on these politically sensitive issues.

The agreements in brief

Though the MTN agreement is commonly spoken of in the singular, it is really a package of trade agreements including:

- **Tariff reductions** (as noted above);
- **Concessions on product quotas** (a quota is one form of an NTB that is expressly trade-restrictive);
- **Agricultural agreements** (which are only consultative);
- **Codes of conduct** (which will govern the use of NTBs).

It is the series of codes of conduct that is the distinctive feature of the Tokyo Round. While provisions vary from code to code, overall themes and goals do emerge. One of the most important is that trade decision making is made more open and accessible—made more "transparent," as the negotiators like to say. The codes generally allow greater scrutiny and input—both by governments and by the private sector—than ever before. They set stricter guidelines for information sharing and consultations, establish open procedures (such as public hearings and comment periods on proposed rules) and strengthen dispute-settlement mechanisms. The net effect should be greater predictability for those engaged in international trade.

The codes

Of the six new codes of conduct governing NTBs—subsidies, safeguards, government procurement, standards, customs valuation and licensing—the first five, which are expected to receive greatest attention, are described below.

Subsidies and countervailing duties

Existing GATT rules governing the uses of subsidies have been weak and ineffective. The new subsidies code imposes greater discipline on this most politically sensitive and most complicated of all the NTBs. Many governments give a fiscal incentive to firms producing for export (an export subsidy) or prop up an "infirm" industry with loans, grants or other fiscal incentives (a domestic subsidy). When these subsidized products

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are traded internationally, they have an unfair competitive advantage, because their selling price does not reflect true costs of production and marketing.

All nations use some form of subsidy, but some use this NTB more extensively than others. The European Community uses both export and domestic subsidies vigorously. Developing countries, too, employ a wide range of subsidy practices.

The United States, which does not use subsidies extensively, has countered the unfair competitive advantage of subsidized imports by levying a countervailing duty (CVD) on them. This duty, or tax, brings the price of the import to the level it would have been without the subsidy, thus raising it closer to its market value. U.S. officials recognize that levying a CVD does not address the real problem: the use of subsidies. Therefore, in the 1974 Trade Act, Congress authorized the President to negotiate in order to limit the ways subsidies are used. That is what the subsidies code is all about.

The code flatly prohibits the use of *export* subsidies for industrial products and nonprimary mineral products. Furthermore, although export subsidies for agricultural products are not prohibited (the European Community uses export subsidies for farm products extensively as part of its agricultural policy), the rules governing their use are tightened.

The code also establishes, for the first time, international rules governing *domestic* subsidies. Nations signing the code (signatories) agree to try not to use domestic subisides in ways that could adversely affect other countries' trade interests; even more important, when subsidies *do* affect trade adversely, businesses may seek redress under the code.

These curbs on subsidies will be implemented through agreed-upon definitions of what constitutes a subsidy; agreements on how and for what reasons redress can be sought; and mechanisms for dispute settlement.

Definition

In order to clarify what is and what is not an export subsidy, the code appends an illustrative list of export subsidy practices. It includes outright rebates to producers on products for export and more subtle practices, such as granting more favorable terms for internal shipping on products for export than on products for domestic consumption. The illustrative list cites the *remitting* of indirect taxes at a higher level than that *levied* on products for domestic consumption. The European Community's value added tax has been the classic example. The VAT (similar to states' sales taxes) is levied on products for domestic consumption, but not on products for export sales; just as states do not levy sales taxes on sales to another state. The Community could not rebate this internal tax on products for export at a higher level than that charged on products consumed domestically.

Many countries, including the United States, have complicated tax-incentive systems that may or may not constitute export subsidy practices. These systems have not been addressed substantively in the MTN. An international tax conference may be convened after the MTN to try to grapple with the issue.

Redress/dispute settlement

The code establishes two avenues through which to complain about violations. One track is unilateral, when the domestic market is involved: a business can complain to its own government, which investigates the complaint and determines whether countervailing duties are warranted. This recourse already exists.

The second, multilateral, track created by the code enables businesses to seek redress if subsidized products are displacing their products in *third-country* markets. Under this approach, a government can complain to the international subsidies committee created by the code. If the committee finds for the complainant, it authorizes the complaining country to take countermeasures, that is, to withdraw a GATT benefit from the offending country (the complaining country obviously could not take *direct* action—such as levying a CVD—against the subsidized product going into the third-country market).

A country can seek redress even against subsidized agricultural products, even though these export subsidies are allowed; a country may not use export subsidies to gain more than its "equitable" share of world agricultural trade, defined in part by its share of trade over a previous three-year representative period. The code also stipulates that a country may not use export subsidies to significantly depress world prices.

If a country is not satisfied with an investigation or a finding, it can activate the dispute-settlement mechanism established by the code. Considered the most stringent of the dispute-settlement provisions in any of the codes, it guarantees a review by a panel of experts and a determination within 150 days.

Injury: a new factor for the United States

In exchange for these concessions on subsidies, the United States had to agree to the principle that it is the *effect* of a subsidy and not its *existence* that determines an unfair trade practice. In other words, the U.S. negotiators had to agree that the United States will *not* levy countervailing duties unless the subsidized import causes or threatens to cause injury to domestic producers. This means that the United States, which is the only major trading nation that does not require an injury test, must amend its CVD law to include one.

Some people in the United States consider this concession unacceptable. They argue that the present CVD law was designed to *prevent* injury and that the new code would eliminate that protection. In response, U.S. negotiators point to specific code provisions, especially the injury test, which is actually less stringent than that in the U.S. 1974 Trade Act (see Safeguards below). The latter requires that increased imports be shown to be "important and not less important" than any other factor that could be contributing to a domestic producer's injury (such as domestic environmental protection laws or changes in demand), whereas the new code does not attempt to weight the importance of the subsidy against any other factor that could be causing injury. Moreover, proof of injury is not always required. If a country uses prohibited export subsidies, it has violated the agreement and countermeasures would be authorized through the multilateral track described above.

Safeguards

Much foreign competition is not unfair competition, but it can be disruptive to domestic industry. Recognizing that a rapid influx of imports can cause injury to domestic firms, current GATT rules (spelled out in Article XIX) authorize countries to take *safeguard action*, that is, impose a tariff or quota temporarily to protect an industry and give it time to adjust. (In the United States, taking safeguard action is called "invoking the escape clause," and the methods and procedures a business must follow to seek relief under the escape clause are governed by the U.S. Trade Act of 1974.)

The General Agreement on Tariffs and Trade limits the kind of safeguard action that can be taken and stipulates that a safeguard action must be applied equally against *all* countries from which a product is being imported. This principle of nondiscrimination, known as the *most-favored-nation* (MFN) principle, governs trade expansion as well as trade restrictions.

Article XIX has not been widely used by nations. This does not mean, however, that nations have not taken action to exclude imports. Industry-to-industry arrangements have been made, outside the GATT, whereby one country's industry "voluntarily" agrees to limit its exports to another's home market (the recent European Community-Japan steel arrangement is an example). Since these arrangements are taken outside the GATT, there is no set of guidelines that nations must follow.

The new safeguards code revises the existing GATT code to allow a nation to take "selective" safeguard action against the specific country (or countries) whose product is causing the injury, without applying the action across-the-board. Some people criticize this change as undermining the MFN principle. Others defend it, arguing that selectivity is the necessary price for bringing under GATT governance actions that are already in practice and will remain in practice. When the new code is in effect, GATT can set conditions for use of safeguard action, including transparency (i.e., notification and consultations) when such action is contemplated and limits on when and how a selective safeguard can be applied.

As the negotiations come to their conclusion in Geneva, it becomes increasingly uncertain whether or not negotiators will be able to reach agreement on a safeguards code. Developing countries, who fear that they will bear the brunt of selectivity, are pushing hard for strict standards for the application of selective safeguards. Among their demands are prior approval of selective safeguard action by the international safeguards committee established by the code; prohibition of the use of the safeguard if the committee disapproves it; requiring that a selective safeguard be applied against all major suppliers of a product, thereby limiting its selectivity; and allowing retaliation even if all code provisions are adhered to. The European Community, which is particularly interested in having selective safeguards, is unwilling to accept these strict guidelines, and thus it may be impossible to conclude this code.

Government procurement

Government purchase of goods is big business. It has been a subject of discussion in the Tokyo Round because countries have adopted methods of procurement that discriminate against other countries. The U.S. "Buy America" law, for instance, stipulates that a contracting federal agency must give the contract to an American bidder even if the bid is 6-12 percent higher than that of a foreign bidder (for purchases that are deemed national defense procurements, the percentage preference is 50 percent).

Other countries, too, have procurement practices that give their businesses preferential treatment. Some maintain lists of "eligible bidders" that do not include foreign firms. Some give out such meager information that foreign bidders know too little to place an intelligent bid. And sometimes contracts are "advertised" in such obscure places that in fact there is no notification to those who are not in the know.

This code establishes rules, where now they are nonexistent, that give each bidder "treatment no less favorable" than any other bidder, through the use of open procedures and time limits for: notification, submission of bids, specifications of the contract and qualification of suppliers, and the award of contracts. In addition, firms that do not win a contract will be able to find out, through their governments, why they did not win it. National security procurements, services, and government purchases under agricultural support programs are exempted.

The minimum amount (threshold) of contracts that would be covered is about $180,000. U.S. administration officials estimate that this will open some $25 billion of government purchases in foreign markets and $10-12 billion in the U.S. market to international bidding. The code prohibits a country from dividing a contract into separate contracts in order to reduce the amount below the threshold and thus avoid complying with the code. Only procurements by national governments are covered, but these central governments are to "encourage" subsidiary government entities to adhere to the code.

Lastly, only those nations that sign the code are eligible to receive its benefits. Governments may continue to discriminate against nonsignatories.

Customs valuation

Because governments use a wide variety of methods to calculate the value of an import, customs valuation is often an impediment to trade. It causes problems for importers and exporters alike, mainly because frequently neither can predict with certainty the value of an item until a customs officer actually assigns it one.

One U.S. valuation method worth mentioning because it has historically created controversy is the American Selling Price (ASP). ASP assigns an import value equal to its American-made equivalent, rather than on its actual value. Once widely used, ASP is now used only for some chemical and some footwear imports.

Under the code, ASP and a host of valuation methods will be replaced by a simplified, streamlined system of five methods. The preferred one will be "transaction value": the actual amount the importer pays to the exporter. Trade experts estimate that 90 to 95 percent of U.S. imports will be valued by this method.

As do the other codes, this one provides consultation and dispute-settlement mechanisms. Significantly, it also provides for full administrative and judicial reviews when disagreements between business executives and customs officials arise, a benefit now available only in the United States.

Many trade experts consider this code a "sleeper," that will have an immediate, positive impact. They praise the code for its simplicity and the predictability it will bring to importing and exporting.

Standards

Just as customs valuation methods vary widely among nations, so do product standards. Since imports must conform to those standards to gain access to a country's market, many countries manipulate them to protect a domestic industry. Some countries literally use a double standard, requiring that an import meet more stringent requirements than its domestic counterpart. A Catch-22 certification procedure is another in a long list of NTBs raised via the standard-setting process. Some countries require their own officials to certify compliance with standards during successive stages of a product's manufacture—yet refuse to send those officials to another country that is turning out the product for export.

It would be impossible to harmonize product standards throughout the world. Instead, this code brings openness and scrutiny to standard-setting and certification procedures and ensures that certification is applied evenhandedly. Signatories are encouraged to accept certification in the producing country when they are satisfied that the certification is being performed by a technically competent entity. Existing standards and certification procedures will not be subject to the terms of the code, but new and revised ones will be.

The code encourages the use of existing international standards "where appropriate." Also, where appropriate, nations are to specify standards in terms of performance (i.e., what the product must do) rather than design (i.e., what it looks like) in an attempt to reduce artificial product standards. As with the government procurement code, the standards code will apply only to national governments, but these are to encourage subsidiary governments and nongovernmental standard-setters to adhere to the terms of the code.

GATT framework

In addition to the various codes and other agreements, negotiating nations agreed to changes in the overall GATT framework, which "houses" the set of principles to which trade actions must conform and through which they achieve their legal basis. The framework agreement addresses four issues.

- The new agreement legitimates the practice of granting "special and differential treatment" to developing countries (see Developing Countries).
- Nations affirmed the principle that trade restrictions are an inappropriate response to balance-of-payment (BOP) problems and agreed that any such restrictions taken for BOP reasons should be measures that minimize trade distortion. Currently, only quotas, a most distortionary form of import curbs, are allowed under the GATT; the change would legitimate surcharges, which are less distortionary.
- Nations recommitted themselves to effective procedures for the settlement of trade disputes, including expeditious review and access to impartial and expert review panels.
- Nations agreed that differences over the use of export restrictions (such as export quotas and embargoes) will be subject to dispute settlement and that a full review of existing GATT rules will receive priority attention following the implementation of the MTN.

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A quick reference aid on U.S. foreign relations
Not a comprehensive policy statement
BUREAU OF PUBLIC AFFAIRS • DEPARTMENT OF STATE

MULTILATERAL TRADE NEGOTIATIONS

March 1979

1. Background: The Tokyo Round of the Geneva-based multilateral trade negotiations (MTN) is the seventh negotiating session held under the auspices of the General Agreement on Tariffs and Trade (GATT). Previous rounds dealt mainly with tariff reductions; this one also focuses on nontariff measures that distort international trade. As tariffs were progressively reduced, many nations relied more heavily on nontariff measures to restrict imports. These protectionist measures contribute to international tension, which the Tokyo Round seeks to diffuse by establishing new ground rules for the world trading system.

2. US benefits: During the past 10 years, US exports have more than quadrupled, to $143 billion in 1978. We export about 16% of everything we grow, manufacture, or mine, and some 4.3 million American jobs depend on US exports. Thus, the US has a critical stake in the MTN's successful outcome. As President Carter said in his State of the Union address, the proposed trade agreements will:

   -lead to increased opportunities for US exports;
   -insure that import competition is fair; and
   -result in lower prices, increased competition, and greater prosperity for the American people.

   The nontariff codes will not take effect until Congress approves them and enacts implementing legislation.

3. Subsidies: Extensive use of subsidies by our trading partners tends to increase US imports and displace our exports and is a constant irritant to our trade relations. This code will prohibit export subsidies on non-primary products, increase the discipline on the use of domestic subsidies, and set up rules for countries to take countermeasures against subsidized products that adversely affect their trade.

4. Technical barriers to trade (standards): This code is designed to prevent standards and technical regulations from becoming impediments to international trade. Concern over health, safety, and the environment has led to new product standards that have caused numerous trade disputes. The code will allow affected parties to participate in the standards-making process and provide nondiscriminatory access for foreign products to national and regional certification systems.

5. Customs valuation: This code attempts to provide a standard method of determining the duties collectible on an import, thereby protecting an exporter from arbitrary increases in assessed duties. Ordinarily, duties will now be assessed on an import's transaction value. If this is not appropriate, other methods of valuation are provided.

6. Government procurement: Until now, governments have been allowed to discriminate in favor of domestic suppliers for items purchased for government use. Under this code, an estimated $25 billion in foreign government procurement will be open to bids from US firms. Since our procurement system is already far less restrictive than that of most countries, we will clearly benefit from this code.

7. Safeguards: Countries will be required to observe certain international trading rules and will be subject to international discipline when temporarily limiting imports that seriously injure domestic industries.

8. Licensing: This code will reduce the effect on US exports of unnecessary or unduly complicated import licensing requirements.

9. Aircraft: This agreement, which is still not complete, would eliminate tariffs and reduce nontariff barriers on many aircraft products. The US is the world's major supplier of civil aircraft and parts, and we should benefit greatly from this agreement.

10. Agriculture: The US is vitally interested in the successful negotiation of an agricultural package. As the world's largest exporter of agricultural products, the US seeks long-term, stable, sustainable export growth through expanded trade opportunities and orderly conditions in international markets, particularly in periods of surplus or shortfall. Consequently, we have helped create a framework for international agricultural trade, including agreements on meat and dairy products. The US has succeeded in reducing tariff barriers on many agricultural items of great export interest to us.

11. GATT reform: Several procedural changes in GATT have been negotiated. An "enabling clause" permits some special and differential treatment for the developing countries. This agreement also recognizes that as these countries advance economically, they must accept more obligations and fewer exceptions under the trade rules. Procedures concerning measures countries can take for balance-of-payments reasons, and measures by developing countries to protect infant industries, were improved. GATT's dispute-settlement procedures were strengthened, and agreement was reached to negotiate improved rules on use of export controls.

12. Industrial tariffs: Industrial tariff negotiations are not completed. We have reached satisfactory agreements with Japan, the European Community, and some smaller countries belonging to the Organization for Economic Cooperation and Development. Discussions continue with Canada and many developing countries. Our tariff cuts should approximate those of the Kennedy Round, i.e., a 30%-35% reduction in our average tariff level. In return, we have received many concessions, including tariff reductions on items of high priority interest to US industry and agriculture, which should stimulate US exports.

Norm Howard, Editor, 632-0736

League of Women Voters of the United States 1730 M Street, N.W., Washington, D.C. 20036 Tel. (202) 296-1770

news release

APR 27 1979

Contact
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FOR IMMEDIATE RELEASE
April 24, 1979

Washington, D.C.--The League of Women Voters today urged Congress to pass U.S. trade legislation that reflects the fair and open trade embodied in the Geneva multilateral trade negotiations.

In a statement prepared for delivery before the House Ways and Means Committee, League first vice president Ruth Robbins said:

"In recent weeks, this committee and its counterpart in the Senate have held closed door sessions to consider what changes are appropriate to bring U.S. law into compliance with the multilateral trade agreements on subsidies, government procurement, customs valuation, standards and licensing. These statutory changes along with other arrangements already granted to select sectoral interest groups will be the real indicators of the impact the new trade codes will have on the U.S. trade policy. A poor translation into domestic law could reverse the intent of the codes. Too many concessions made to get political support could negate the progress made in negotiations. It's up to the committee and the entire House of Representatives to see that the same spirit of fair and open trade embodied in the Geneva agreements is implemented into U.S. law."

Robbins, who also serves as the national League's International Relations Chair, told leguslators that how effective they are in translating the Geneva agreements into U.S. law will be "the measure of national commitment to a fair and open trade policy."

She added that hopefully "public hearings will contribute to the formulation of legislation that will fully reflect the outcome of the negotiations."

The League of Women Voters spearheaded efforts by the liberal trade community to hold public hearings. Although League concerns regarding the MTN are many, they focused on support for subsidies/countervailing duty measures in their testimony. "We highlight this," she said, "because far and above the rest this one goes to the heart of the Tokyo Round."

# # #

Reporters please note: full text of statement is attached.

APR 16 1979

League of Women Voters Education Fund 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 659-2685

memorandum

This is going on DPM
April, 1979

TO: State and Local Leagues
FROM: Ruth Robbins, International Relations Chair
RE: MTN publication

Attached is the newest International Relations CURRENT FOCUS, "MTN: Breaking the Nontariff Barrier." It is a general guide to the new multilateral trade agreements that are now being finalized at GATT headquarters in Geneva. The publication describes the major elements of five of the codes of conduct governing the use of nontariff barriers to trade: subsidies, safeguards, government procurement, customs valuation and standards. In addition, it describes the treatment of agriculture and developing countries in the GATT negotiations as well as highlighting changes in the GATT framework.

The descriptions of the codes outline the major concepts embodied in each one. However, the GATT negotiations themselves have not been concluded and there will be changes in some technicalities. Final decisions have not been made regarding the implementing legislation to bring U.S. laws into conformity with the international codes. Please see Report From the Hill for reports on the legislation.

"MTN: Breaking the Nontariff Barrier" can be used in conjunction with "The Continuing Crisis in Trade" (LWVUS publication #123, 50¢) to provide citizen education on trade policy issues. Both publications are written with the lay person in mind and they acquaint readers with trade terms such as "most-favored-nation," "special and differential treatment" and "countervailing duty."

As the trade debate grows in Congress and throughout the country, citizens will be forming opinions about the future direction of U.S. trade policy. This publication can give them the basis from which to make decisions about one important aspect of U.S. trade policy--the multilateral trade agreements.

League of Women Voters of the United States • 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 296-1770

TESTIMONY BEFORE THE HOUSE WAYS AND MEANS COMMITTEE

ON

THE MTN AND US IMPLEMENTING LEGISLATION

BY

RUTH ROBBINS, FIRST VICE PRESIDENT
LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

April 24, 1979

Mr. Chairman, members of the Committee, I am Ruth Robbins, first vice-president of the League of Women Voters of the United States. The League welcomes this opportunity to comment on the results of the multilateral trade negotiations and the formulation of the US legislation to implement the agreements recently concluded in Geneva. And, we congratulate the House Ways and Means Committee for scheduling public hearings before the Administration submits an MTN implementing bill to Congress. As we are all aware by now, the approval procedure adopted by Congress in the 1974 Trade Act does not permit amendments to this legislation. Thus, what has been and is being decided as "necessary and appropriate" to implement the MTN codes should be and is a public concern.

The League of Women Voters believes that the potential, long term impact of these new trade liberalization agreements on the US economy and world trade require us all to give them careful consideration. Public hearings such as these serve to facilitate this consideration and, the League hopes, will contribute to the formulation of legislation that will translate the standards set by the international agreements into a fair and open US trade policy.

The LWVUS is a volunteer political action organization with 1400 Leagues in 50 states, the District of Columbia, Puerto Rico and the Virgin Islands. Our members are not experts on customs valuation, government procurement, subsidies, standards, licensing, or particular products, all of which are included in the MTN agreements. We are, instead, workers, merchants, professionals, officials, farmers, wives and mothers, husbands and fathers and--like everyone else--consumers. As consumers, we are concerned about the dollar crunch evidenced by the increase in domestic prices of very basic goods and services and by the decline in the value of the dollar abroad.

This is not the first time these concerns have been expressed by League members. It was, in fact, during a consumer study of inflation in the late 1920's that the LWV first became interested in the subject of trade. League members were impressed by the extent to which customs duties and other trade restrictions caused higher prices for the consumer. That was just the beginning of our involvement in trade issues. Events following the passage of the Smoot-Hawley Act in 1930 convinced League members that trade is closely linked with domestic and international politics. Smoot-Hawley's "beggar-thy-neighbor" policies led other nations to retaliate with similar restrictions; US and world trade shrank to a fraction of what it had been, and deteriorating political relations exacerbated the still unhealed wounds of World War I.

Since that time, the League has periodically reexamined the relationship between US trade policies and changing patterns of international commerce, most recently in a study concluded in 1976. Bolstered by these periodic reevaluations and other studies which yielded positions favoring East-West trade, nonreciprocal trade concessions for developing nations, and an improved trade adjustment assistance program, the League has been at the forefront of every debate on every major piece of trade legislation, always coming out strongly for measures that are trade expansive rather than trade restrictive. Such a policy, League members believe, serves the political and economic interests of this country and of its citizens, collectively and individually, because it paves the way for political harmony among nations, promotes economic development at home and abroad, and expands consumer choice.

By providing a positive alternative to the spectre of trade warfare and international economic chaos; by encouraging the shift of resources to the most dynamic sectors of the economy; by formalizing special concessions to developing countries which are and must be increasingly significant trading partners; and by permitting the import competition that is badly needed as an escape valve to the pressures of inflation that afflict us all, the MTN agreement will, in the League's view, be solidly in the public interest.

Multilateral reductions in tariffs will allow many US producers to compete more effectively in foreign markets and will reduce the prices US consumers pay for foreign products imported in the United States. In addition to agreements reached on tariff reductions, the Geneva package offers us, for the first time, an opportunity to contain and control the nontariff barriers that present the most significant restraints to international trade today. Customs valuation procedures and licensing requirements will be made more uniform, standard setting and government procurement procedures will be opened up, and trade distorting subsidy practices will be restrained. By increasing export opportunities for agricultural and other products, billions of dollars of US goods and services will gain entry to foreign markets. By making possible a greater choice of lower priced goods, US consumers, particularly low income consumers, will benefit.

Moreover, the codes promise benefits for all nations by establishing a modern and streamlined framework within a strengthened General Agreement of Tariffs and Trade. The new procedures for information sharing, dispute settlement and consultation will serve to foster improved international cooperation and provide a measure of continuity to international trade relations. Thus, the MTN will have laid the groundwork for dealing not only with present problems, but those of the future as well.

The League shares the concerns of many of you on this committee and in the Congress that these agreements will not solve all of our trading problems and may in fact entail hardships for some Americans. It is not enough to say that in the long run everyone benefits from trade liberalization. A worker without a job or a firm without a contract because of import competition are often difficult realities which follow trade liberalization. But the overall gains not particular losses should determine US policy.

Nevertheless, because League members are fair trade realists, not free trade idealists, we recognize that selective temporary safeguards may be necessary to allow industries severely injured by a rapid influx of imports the time to adjust. We sincerely hope that the negotiating nations will come to terms with the safeguard agreement in time to consider it along with the other codes. And, in this regard, we urge that US negotiators seek to secure an agreement that includes a reporting system of <u>all</u> safeguards action: government as well as socalled voluntary and interindustry agreements and other nongovernmental restraints. Until such decisions are taken in Geneva, US Escape Clause laws should not be changed.

Moreover, the League believes that no single group of workers or sector of our economy should be made to pay the costs of trade policies which benefit the nation as a whole. We believe that a more effective trade adjustment assistance program is the keystone of a policy that promotes trade expansion. We believe, too, that a good program should and could provide prompt and effective assistance without damage to our foreign relations and at a lower cost to the economy than import restrictions. For these reasons the LWV supports this committee's efforts at reform of the Trade Adjustment Assistance Program as contained in HR 1543.

Many of us are well aware of those in the United States who do not share in the benefits of trade liberalization. Few are aware however that the benefits of trade liberalization accrue largely to the US and other industrialized countries rather than to developing nations. Certainly economic and social disparities between developed and developing nations are not new. However, industrialized and developing nations are increasingly linked together in trade. For example, developing nations now buy over 40% of US exports of manufactured goods. Their purchases not only bring profits and employment to Americans, but provide their countries with the products, machinery and equipment essential to further economic development. It is a significant fact that over one half of the nations taking part in the Geneva negotiations represent developing nations. Though not all the developing countries will be signatories to the agreement, the overall benefits acquired from the easing of trade restrictions worldwide will be particularly important to developing nation economies. Moreover, as a result of the negotiations, support for the principle of special and differential treatment has been established. This serves as recognition of the gross disparities between unequal trading partners and we believe is an important contribution to the development of a strengthened international economy.

The willingness and perserverance of industrialized and developing nations to negotiate and conclude these agreements against the backdrop of increasingly protectionist pressures highlights the level of commitment to liberalized trade that exists today. Many observers agree that the mere completion of these agreements is a significant achievement. Similarly, some speculate about "what could have happened" had the negotiations not been underway. Imposition of trade restrictions might have launched international trading partners into an all out trade war. Those same people now conclude that these codes can block the protectionist tide that has been swelling these last five years.

Conclusion of the agreements was significant in and of itself, and it did, no doubt, prevent a deterioration in trade relations. But it was only the first stage of the Tokyo Round. The second stage--the present stage--is to draft and approve implementing legislation. This translation of the agreements is a measure of the national commitment to a fair and open trade policy. But the real test of the effectiveness of the MTN will be the willingness of the signatory nations to live up to the obligations they have assumed.

In recent weeks this Committee and its counterpart in the Senate have held closed door sessions to consider what changes are appropriate to bring US law into compliance with the international codes. These statutory changes, along with other arrangements already granted to select sectoral interest groups, will be the real indicators of the impact the new MTN codes will have on US trade policy. An inadequate translation into domestic law could reverse the intent of the codes. Too many concessions made to get political support could negate the progress made in the negotiations. It is up to this Committee and the entire House of Representatives to see that the same spirit of fair and open trade embodied in the Geneva agreements is implemented into US law.

The League believes that in determining what is necessary and appropriate to implement these codes, your overall objective should be to meet the standards established in the codes themselves. These alone are numerous and we would not presume to draw up an exhaustive list of these obligations. Many other witnesses representing various sectoral interests will speak to these and other issues which the Committee may find advisable to consider during its deliberations of the implementing legislation.

There are several items which do concern the League, particularly in the subsidies/countervailing duty measures code. We highlight this code because, far and above the rest, this one goes to the heart of the Tokyo Round. As a result of these negotiations, nations have accepted stricter controls on the export subsidies and in return the US has agreed to accept an injury test as part of the CVD law. By accepting an injury test, the US has finally agreed that it is the <u>effect</u>, not the <u>fact</u> of a subsidy that is the relevant factor in levying countervailing duties. The League applauds this action and urges Congress to uphold the express terms of the code.

In particular, the code specifies that "injury shall, unless otherwise specified, be taken to mean material injury to a domestic industry..." US countervailing duty law should therefore state clearly that it is material injury, meaning "important and consequential," not merely <u>de minimis</u> injury that is being tested.

Anotherr aspect of the subsidy code we consider significant is the time period to be permitted for domestic countervailing duty investigations. The agreement specifies that parties be given a "reasonable opportunity" to make their cases, but that investigations be concluded <u>within one year</u> after their initiation, except in special circumstances. No doubt an argument can be made for shorter time periods for investigations in order to bring speed and effectiveness to the law. But, so too, a case can be made for taking more time in order that due process can be accorded both the domestic and importing agencies. Recommendations made so far range from 75 days to six months for a preliminary investigation and equally varying time periods for a final determination and injury proceeding. It would seem that "a reasonable opportunity" is best afforded everyone by a longer not shorter time period and, thus, the LWV would prefer that the legislation not establish a minimum investigation period that might only serve to encourage determinations based on inadequate information simply to meet statutory deadlines. What we want is a good decision, not just a decision. Of course, the investigating agency should proceed as rapidly as possible but the LWV, urges that the committee thoroughly consider the benefits of allowing up to six months for a preliminary investigation with a final subsidy determination to come within 60 days of that and a finding on the question of material injury within 120 days of the preliminary subsidy finding. Based on other experiences with similar investigative proceedings, this would seem a fair time period and still well within the one year limit established by the code itself.

Once the existence of a subsidy and a positive finding of injury has been determined, the administering agency must decide whether the amount of the countervailing duty is to be the full amount of the subsidy or less than the amount of subsidy. On this, the code leaves room for discretion but advises that "the duty be less than the total amount of the subsidy if such lesser duty would be adequate to remove the injury to the domestic industry." Thus, it would seem the intention is that when possible a less than total duty be imposed. US law should not therefore require an amount in excess of what is "adequate to remove the injury to a domestic industry."

These issues are our primary concerns in the subsidy/countervailing measures code. But due process is also an important consideration in the proposed amendments to the antidumping law. We would urge that consideration of time limits in dumping cases also take into account the importance of due process so that decisions are not only speedy, but also founded on as thorough an understanding of the evidence as possible.

The League of Women Voters urges that this Committee, the Administration and Congress undertake to implement the standards established in the trade agreements. If we are unwilling to adopt into practice that which has been accepted by our government, then we call into question our credibility and reliability in future negotiations. Certainly US trade law has been well in advance of any other nation. That does not mean that we can make exceptions for ourselves. It means that we have a tradition to uphold and must prove that in the face of adverse pressures, we too can hold up our part of the bargain.

MAY 15 1979

League of Women Voters Education Fund 1730 M Street, N.W., Washington, D.C. 20036 Tel. (202) 659-2685

memorandum

May 9, 1979

TO: State League Presidents, IR Trade Project Managers, copies to state IR Chairs
FROM: Ruth Robbins, International Relations Chair
RE: Council International Relations Workshop; Committee Guide; and Trade Project

1) During the International Relations Workshop at Council, an excellent suggestion for the use of the state economic profiles compiled by trade project managers was offered. These profiles which contain pertinent and useful information on each state's economic structure and its relation to international trade would make excellent material for state Voters/Bulletins. Having reviewed the profiles, we know how extensive and comprehensive they are. Highlights of the information and a listing of available sources of information would help to increase knowledge and understanding of the importance of international trade to your state among state League members. If you have the time and would like to do this, be sure to check with your state Voter editor.

2) The national IR Committee is planning a new Committee Guide that should reach you in September. You may wish to tell local Leagues that a new Committee Guide is slated. Included in the Committee Guide will be a discussion outline on trade issues. We think that this outline will help state Leagues plan program workshops on trade and local Leagues plan unit meetings on trade if they wish. Another useful resource for trade discussions is the state economic profile compiled by state trade project managers.

3) During Council a few delegates brought messages from their state's trade project manager about the Consultative Group Process. Some of you are having difficulty with this project component. We know that all of you will try your hardest to fulfill this project requirement, but if you find you simply cannot, please write to us and tell us what your problems were. This information will help us to evaluate this particular project component. Even if you are successful in holding the CGP session, but run into any difficulties let us know. Finally, if your problem is that people are reluctant to take time from their schedules to participate, explore with them the possibility of holding it over lunch or in the evening.

4) For trade project managers: Another source for gathering data about imports is the Directory of U.S. Importers 1978 Edition. It lists companies, addresses, what they import and value of imports. It is published by the Journal of Commerce, 99 Wall Street, New York City and should be available in large libraries.

Remember, individual interview reports and project proposals are due June 11.

Consultative Group Process reports are due September 28 (or earlier).

Final project reports are due December 31, 1979.

WORLD TRADE WEEK BEGINS MAY 20.
A letter to the Editor or a press release regarding the LWV trade project activities would be especially appropriate.

League of Women Voters of Minnesota, 555 Wabasha, St. Paul, MN 55102 - April, 1979

To: Local Leagues
From: Pat Llona, LWVMN International Relations Chair
Re: WHAT DID WE LEARN AT WINGSPREAD, April 5 - 7?
Date: April 20, 1979

Here are some points made by speakers. Please save for Trade Project this year. There will be other excerpts in following Memos.

Mr. Julius Katz, Assistant Secretary of State, Bureau of Economic and Business Affairs:

"The Context of Trade" (on the Multilateral Trade Negotiations)

After forty-four conferences and in spite of the economic adjustments arising out of the recession and the high cost of energy, the Seventh General Agreement on Tariffs and Trade (GATT) is about to be concluded. Some of what it accomplishes follows:

1. Tariffs in Europe, Japan, Canada and the U.S. will be reduced 30%...this will be particularly true of paper, electronics, heavy industrial equipment and aircraft.
2. Tariffs on 15-20 developing countries will be lowered, allowing increased access for U.S. agricultural products such as poultry, rice, beef, tobacco and citrus.
3. Export subsidies will be prohibited on industrial products; injury can be offset by countervailing action.
4. Government procurement will be open to all bidders...a 25-billion potential for the U.S.
5. Quality standards will be legitimate and not the kind used as non-tariff barriers.
6. Customs valuations will be determined making old methods out of date and the outlook for importers more certain.
7. On the sectorals (such as aircraft parts), tariffs will be reduced to zero.
8. Japan's average tariff will be cut 35%. The U.S. will have increased access to Japanese markets in citrus and beef.
9. There will be some code changes that will end frustrations for exporters.
10. With the European Community the average tariff cuts will be 34%. Agriculture was difficult. There will be a consultative mechanism for dealing with that.
11. With Canada...moderate cuts. Canada is joining customs valuation code.
12. Developing countries are now brought more into the mainstream. About 20 have made tariff reductions and will join GATT.
13. There is more protection for U.S. textiles. Governments will take measures to insure that our textile industries are not damaged. The U.S. will take parallel action to insure that jobs are not jeopardized.
14. Australia and New Zealand wanted more access to U.S. markets. We agreed to expand our market for cheese. Most cheese will remain under import quotas, but the consumer will have a wider range of choices.
15. The American Selling Price (ASP) customs valuation which controlled the price of benzenoid chemicals imported into the U.S. will be abandoned.
16. There is something for both producers and consumers in every country.

Tariff cuts don't need approval of Congress. Non-tariff adjustments do; no amendment is possible. The implementing legislation is being developed now. The Countervailing Duty Extension was critical. (LEAGUERS, PLEASE NOTE THAT YOU ALL HAD A HAND IN THIS BY WRITING TO EXTEND THE PRESIDENT'S WAIVER AUTHORITY.) There was no international wheat agreement. It would have obligated countries to hold a certain level of reserve. Agriculture was left pretty much untouched. Paper, chemicals, textiles will benefit.

MINNESOTA WORLD TRADE CONFERENCE

SERVICE FIRMS EXHIBITING

Japan Air Line Co., Ltd.
Paul Brink Assoc., Inc.
PanAm
Air France Cargo
Northwestern Nat'l Bank
Alitalia Airlines
The Kimm Company
Mantra, Inc.
Total Export, Inc.
Kuehne & Nagel, Inc.
Marsh & McLennan, Inc.
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III. The Role of Transportation in Facilitating International Trade

Chairman/Moderator:
WILLIAM SMITH, Vice President for Transportation, General Mills, Minneapolis, Minnesota

Speakers:
I. R. SCOGGINS, Vice President for Transportation, Peavey Company, Minneapolis, Minnesota
"Agricultural Commodities"

P. C. HOVDE, International Transportation Manager, 3-M, St. Paul, Minnesota
"Manufactured Goods"

RALPH O. AVERY, Assistant Vice President, Pricing Negotiations, Burlington Northern, St. Paul, Minnesota
"Rail Transportation"

ROGER L. BOND, Director of Commerce, Associated Motor Carriers Tariff Bureau, Inc., St. Paul, Minnesota
"Intermodal Transport"

JOHN W. LAMBERT, President, Twin City Barge and Towing, St. Paul, Minnesota
"Barge Transport"

ALAN T. JOHNSON, International Marketing and Sales/Directive, Seaway Port Authority of Duluth
"The Duluth Port"

5:00 P.M.
General Conference Reception

Host:
The Seaway Port Authority of Duluth – INGRID WELLS, President, Board of Commissioners

6:00 P.M.
Conference Banquet

Chairman:
DAVID T. McLAUGHLIN, Honorary Conference Chairman and Chairman of the Board, The Toro Company, Minneapolis, Minnesota

Introduction of the Banquet Speaker:
Banquet Speaker
The Honorable LUTHER HODGES, JR., Undersecretary, U.S. Department of Commerce, Washington, D.C.
(Topic To Be Announced)
Presentation of "E" Award

THURSDAY, MAY 24, 1979

7:30 A.M.
Registration (Second Floor Lobby)

8:00 A.M.
Breakfast Session
"International Credit and Financial Roundtable"

Chairman/Moderator:
E. NORMAN ECK, Executive Vice President, North Central Credit & Financial Management Association, Minneapolis, Minnesota

Roundtable Panelists:
GILBERT HILL, Export Manager, Munsingwear Inc., Minneapolis, Minnesota

DR. HANS BELCSAK, S. J. Rundt Associates, New York, New York

W. ROBERT WHITE, Vice President, North Central Regional Office, Foreign Credit Insurance Association, Milwaukee, Wisconsin

GLENN MATSON, Director, Minneapolis District Office of the U.S. Department of Commerce

RAUL AGUILAR, Vice President, First National Bank of Minneapolis

10:00 A.M. CONCURRENT SESSIONS

I. Careers in International Business

Chairman/Moderator:
DARIN NARAYANA, Vice President, Northwestern National Bank of Minneapolis

Speakers:
EDWARD K. THODE, Manager, International Personnel Administration, Economics Laboratory, Inc., St. Paul, Minnesota

GRAHAM HATCHER, Director of Personnel, International Division, The Pillsbury Company, Minneapolis, Minnesota

(International Personnel Recruiter – to be announced)

II. Currency and Foreign Exchange Developments

Chairman/Moderator:
PAUL STRAND, Assistant Treasurer, MTS Systems Corporation, Minneapolis, Minnesota

Speakers:
DANIEL W. CURTISS, Director of Money Management, Honeywell, Inc., Minneapolis, Minnesota

LARS P. LIDBERG, Foreign Exchange Officer, First National Bank of Minneapolis, Minneapolis, Minnesota

JOHN J. McDEVITT, Economist, 3-M, St. Paul, Minnesota

KAREN I. THOMPSON, Foreign Exchange Officer, Northwestern National Bank of Minneapolis, Minneapolis, Minnesota

III. Legal and Tax Aspects of International Trade

Chairman/Moderator:
MICHAEL MURPHY, Attorney, Dorsey, Windhorst, Hannaford, Whitney & Halladay, St. Paul, Minnesota

Speakers:
BRIAN BANNER, Law Department, Munsingwear, Inc., Minneapolis, Minnesota
"Trademarks"

JAMES A. NIEGOWSKI, Attorney, Merchant Gould Smith Edell Welter & Schmidt Professional Association, Minneapolis, Minnesota
"Patents"

KEVIN O'MALLEY, Legal Department, Cardiac Pacemakers, Inc., St. Paul, Minnesota
"Foreign Product Liability Law"

ROBERT HAWKINS, Office of General Counsel, Control Data Corporation, Minneapolis, Minnesota
"U.S. Export Administration Act"

11:45 A.M.
Social Hour

12:30 P.M.
Luncheon

Chairman:
ROGER L. PRIGGE, President, World Trade Week Inc.

Presentation of the World Trader of the Year Award

Introduction of the Luncheon Speaker

Luncheon Speaker:
The Honorable WILLIAM FRENZEL
United States Congressman
Third District of Minnesota
Washington, D.C.

"The GATT Sponsored Multilateral Trade Agreement: Congressional Views and Implications of the Agreement for Minnesota Business"

2:30 P.M.
Conference Closed

Program and Registration Information

17TH ANNUAL MINNESOTA WORLD TRADE CONFERENCE

May 23 and 24, 1979
Thunderbird Motel
Bloomington, Minnesota

"Minnesota's Market is the World"

World Trade Week, Inc.
Northwestern National Bank of Minneapolis
Seventh and Marquette Avenue
Minneapolis, Minnesota 55480

Greetings from the President

On behalf of the sponsoring organizations of World Trade Week, Inc., I want to invite you to join us for the 17th Annual Minnesota World Trade Conference at the Thunderbird Motel in Bloomington, Minnesota, May 23-24, 1979.

World Trade Week, Inc., a non-profit, volunteer organization, is dedicated to promoting a better understanding of the significance of International Trade to all Business as well as the general public and the Academic Community. This year's conference will stress the importance of international trade to our economy and examine issues that have an impact on its growth and development.

We encourage you to register for the entire conference so that you may get a complete prospectus of all facets of International Trade relevant to the Upper Midwest area.

WHO SHOULD ATTEND?

- Key Corporate Officers of large and small companies.
- Executives involved in International Marketing, Credit and Financial Activities.
- Representatives of Agriculture, Organized Labor, and the Academic Community.
- Attorneys, Accountants and others involved in the legal and financial aspects of World Trade.
- Transportation Executives.
- The Entire Business Community and the General Public.

We are hopeful that each of you will be with us for this important area conference.

Roger L. Prigge
President
World Trade Week, Inc.

MINNESOTA WORLD TRADE CONFERENCE

(Schedule of Sessions)

WEDNESDAY, MAY 23, 1979

8:00 A.M.
Registration (Second Floor Lobby)

9:00 A.M.
Opening Session

Welcome to the 17th Annual Minnesota World Trade Conference

ROGER L. PRIGGE, President, World Trade Week Inc., and Chairman of session

Keynote Speakers:
DAVID T. McLAUGHLIN, Chairman of the Board, The Toro Company, and Honorary Chairman, Minnesota World Trade Conference
"The Time Is Ripe"

BARNEY J. MALUSKY, President and General Manager, Farmers Union/Grain Terminal Association, St. Paul, Minnesota
"Grain Exports and Their Importance to Minnesota and the Upper Midwest"

10:15 A.M.
Coffee Break (Second Floor Lobby)

10:30 A.M.
General Session

Chairman/Moderator:
ROGER L. PRIGGE, President, World Trade Week, Inc.

Speaker:
DR. SUNG WON SON, Economist, Northwestern National Bank of Minneapolis
"How Firms in the Upper Midwest Can Do a Better Job of Selling Overseas"

Panelists:
WILLIAM B. FAULKNER, Vice President and Assistant to the President, American Hoist and Derrick, St. Paul, Minnesota

DAVID COX, Vice President and General Manager, Commercial/International, Litton Microwave Cooking, Minneapolis, Minnesota

JOHN C. LENKER, Vice President and General Manager, Export Division, The Pillsbury Company, Minneapolis, Minnesota

HAROLD CHUCKER, Associate Editor, The Minneapolis Star, Minneapolis, Minnesota

11:45 A.M.
Social Hour

12:30 P.M.
Luncheon

Chairman:
DAVID T. McLAUGHLIN, Chairman of the Board, The Toro Company, and Honorary Chairman, Minnesota World Trade Conference

Welcome from the State of Minnesota
The Honorable Lieutenant Governor LOU WANGBERG, State of Minnesota

Luncheon Speaker:
DR. DONALD ANDERSON, Director of Solar Energy Research Institute, Eagan, Minnesota
"The Energy Problem and World Trade"

2:15 P.M. CONCURRENT SESSIONS

I. An Export Primer

Chairman/Moderator:
GLENN A. MATSON, Director, Minneapolis District Office of the U.S. Department of Commerce

Speakers:
BONNIE J. NEUBECK, International Planning Manager, The Tennant Company, Minneapolis, Minnesota
"Market Identification"

CHARLES S. BLETHEN, President, Mantra Inc., Minneapolis, Minnesota
"Distribution Channels"

ROBERT W. GIBSON, JR., Director of Marketing, The Toro Credit Company, Minneapolis, Minnesota
"Pricing/Quotations and Terms of Sale"

DAVID L. PRINTY, Commissioner, Minnesota Department of Economic Development
"State Services for the Exporter"

JOHN R. PETERS, Trade Specialist, Minneapolis District Office of the U.S. Department of Commerce
"U.S. Department of Commerce Services for the Exporter"

II. An Examination of Selected Markets: Mexico and Saudi Arabia

Chairman/Moderator:
DR. WILLIAM ROGERS, Director, World Affairs Center, University of Minnesota

Speakers:
DAVID SIMCOX, Director of Office of Mexican Affairs, U.S. Department of State, Washington, D.C.
"Mexico"

MARCEL MOLINS, Attorney, Baker & McKenzie, Chicago, Illinois
"Mexico"

DAVID LONG, Senior Political Analyst for Israel & the Arabian Peninsula, Bureau of Intelligence & Research, U.S. Department of State, Washington, D.C.
"Saudi Arabia"

TAHER HELMY, Attorney, Baker & McKenzie, Chicago, Illinois
"Saudi Arabia"

(continued on reverse side)

ADVANCE ROOM RESERVATION FORM

Mail to:
The Thunderbird Motel
2201 East 78th Street
Bloomington, Minnesota 55420
Phone (612) 854-3411

Minnesota World Trade Conference
May 23 and 24, 1979

Single Room: $32.00 + tax
Twin Room: $36.00 + tax

Name ____________ Address ____________

City ______ State ______ Zip Code ______

Accommodations Desired ______ Single(s) ______ Twin(s) ______

Arrival Day and Date ______ Departure Day and Date ______

Company Name and Address ____________ (If applicable)

IMPORTANT NOTE: RESERVATIONS ARE CANCELLED AT 6 P.M. ON THE DAY OF ARRIVAL UNLESS THE THUNDERBIRD RECEIVES AN ADVANCE DEPOSIT OF $40.00 FOR EACH ROOM RESERVED.

1979 MINNESOTA WORLD TRADE CONFERENCE REGISTRATION FORM

Mail to: World Trade Week Inc.
c/o Greater Minneapolis Chamber of Commerce
15 South Fifth Street
Minneapolis, Minnesota 55402

Enclosed is a check in the amount of $______ for the 17th Annual Minnesota World Trade Conference at the Thunderbird Motel, Bloomington, Minnesota to be held on May 23 and 24, 1979.

Individual Registration Fees

___ Entire Program (1 breakfast, 2 luncheons, 1 banquet) $75.00 each
___ All Business Sessions Only (no meals) $30.00 each
___ Luncheon, May 23, 1979 $15.00 each
___ Luncheon, May 24, 1979 $15.00 each
___ Banquet, May 23, 1979 $20.00 each
___ Breakfast, May 24, 1979 $10.00 each
___ Students (Business Sessions Only) $5.00 each

***COMPANY REGISTRATIONS**

___ Business Sessions Only, No Limit on Company Participants $200.00
___ Entire Program, Including All Meals (Limit of 8 participants) $400.00

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NAME ____________
NAME ____________
COMPANY ____________
ADDRESS ____________
CITY ________ STATE ____ ZIP ____

*COMPANY REGISTRATIONS—PLEASE ATTACH A LIST OF NAMES OF PARTICIPANTS

MAKE CHECKS PAYABLE TO AND MAIL TO:
WORLD TRADE WEEK INC.
c/o GREATER MINNEAPOLIS CHAMBER OF COMMERCE
15 SOUTH FIFTH STREET
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Please alert Business in your Communities - Show them we care.

SUMMARY PROGRAM

"MINNESOTA'S MARKET IS THE WORLD"

17th Annual Minnesota World Trade Conference: Featuring over Fifty Speakers

May 23 and 24, 1979 - Thunderbird Motel, Bloomington, Minnesota

WEDNESDAY, MAY 23

9:00 a.m. David T. McLaughlin, Toro Company - (Keynote Address)

B.J. Malusky, Farmers Union/Grain Terminal Association - "Grain Exports and Their Importance to Minnesota and the Upper Midwest"

10:30 a.m. Dr. Sung Won Son, Economist, Northwestern National Bank of Minneapolis- "How Firms in the Upper Midwest Can Do a Better Job of Selling Overseas"

12:30 p.m. Luncheon - Dr. Donald Anderson, Solar Energy Research Institute, Eagan, Minnesota - "The Energy Problem and World Trade"

2:15 p.m. Concurrent Sessions

1) How to Export
2) Selected Markets: Mexico and Saudi Arabia
3) Transportation in International Trade

6:00 p.m. Banquet - Luther Hodges, Jr., Undersecretary for Commerce (invited)

THURSDAY, MAY 24

8:00 a.m. Breakfast and Roundtable - "International Credit and Finance"

10:00 a.m. Concurrent Sessions

1) International Trade and Career Opportunities
2) Currency and Foreign Exchange Developments
3) Legal and Tax Aspects of International Trade

12:30 p.m. Luncheon - Congressman William Frenzel - "The GATT Sponsored Multilateral Trade Agreement: Congressional Views and Implications of Agreement for Minnesota Business"

2:30 p.m. Conference Adjournment

Registration Fee: $75.00

For a copy of the full program, call 372-9435