

# EXTENDING AUTHORITY TO NEGOTIATE TRADE AGREEMENTS

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## HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE

EIGHTIETH CONGRESS

SECOND SESSION

ON

### H. R. 6566

AN ACT TO EXTEND THE AUTHORITY OF THE PRESIDENT  
UNDER SECTION 350 OF THE TARIFF ACT OF 1930,  
AS AMENDED AND FOR OTHER PURPOSES

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JUNE 1, 2, 3, 4, AND 5, 1948

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# EXTENDING AUTHORITY TO NEGOTIATE TRADE AGREEMENTS

TUESDAY, JUNE 1, 1948

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The committee met, pursuant to call, at 9:30 a. m., in room 312, Senate Office Building, Senator Eugene D. Millikin, chairman, presiding.

Present: Senators Millikin (chairman), Taft, Butler, George, Connally, and Lucas.

The CHAIRMAN. The hearing will come to order.

This is a hearing on H. R. 6556, to extend the authority of the President under section 350 of the Tariff Act of 1930, and for other purposes. The bill and House report will be inserted in the record at this point.

(H. R. 6556 and H. Rept. No. 2009 follow:)

[H. R. 6556, 80th Cong., 2d sess.]

**AN ACT** To extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended (U. S. C., 1946 edition, title 19, sec. 1351), is hereby extended until the close of June 30, 1949.

**SEC. 2.** Before entering into negotiations concerning any proposed foreign-trade agreement authorized by section 350 of the Tariff Act of 1930, as amended, the President shall furnish the United States Tariff Commission (hereinafter in this Act referred to as the "Commission") with a list of all articles imported into the United States to be considered for the possible granting of concessions in the agreement and shall request the Commission to make an investigation and to report to him the findings of the Commission as to—

(1) the extent to which duties and other import restrictions on the articles included in the list may be modified; or

(2) the extent to which additional import restrictions on the articles included in the last may be imposed; or

(3) the maximum periods (if any) for which obligations may be undertaken to continue existing customs or excise treatment of articles included in the list,

in order to carry out the purpose of such section 350 without causing or threatening serious injury to domestic producers of like or similar articles or impairing the national defense. No such foreign trade agreement shall be entered into until the Commission has made its report to the President.

**SEC. 3.** (a) The Commission shall furnish facts, statistics, and other information at its command to officers and employees of the United States preparing for or participating in the negotiation of any foreign trade agreement; but neither

the Commission nor any member, officer, or employee of the Commission shall participate in any manner (except to furnish information) in the making of decisions with respect to proposed terms of any foreign trade agreement or in the negotiation of any such agreement.

(b) In the course of any investigation pursuant to a request of the President under subsection (a) of this section the Commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings.

(c) Section 4 of the Act entitled "An Act to amend the Tariff Act of 1930," approved June 12, 1934, as amended (U. S. C., 1946 edition, title 19, sec. 1354), is hereby amended by striking out "the United States Tariff Commission," by striking out "War, Navy," and by inserting "the National Military Establishment," after "commerce,"

SEC. 4. (a) If the President enters into any foreign trade agreement with any foreign government or instrumentality thereof under section 350 of the Tariff Act of 1930, as amended, which requires, or pursuant to which it would be appropriate for, him to make a proclamation modifying any existing duty or other import restriction or imposing any additional import restriction to an extent greater than that reported to him by the Commission pursuant to section 2, or continuing existing customs or excise treatment of articles beyond the time specified by the Commission in its report to him pursuant to section 2—

(1) the President shall transmit such agreement (bearing an identifying number) to the Congress, together with a message which shall include his views with respect to the provisions of such agreement which require, or pursuant to which it would be appropriate for, him to make such a proclamation. The delivery to both Houses shall be on the same day and shall be made to each House while it is in session;

(2) the Commission shall deposit with the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a copy of its report to the President with respect to such foreign trade agreement;

(3) such foreign trade agreement shall not take effect before the expiration of the first period of sixty calendar days, of continuous session of the Congress, following the date on which the foreign trade agreement is transmitted to it; and such foreign trade agreement shall thereafter take effect only if, between the date of transmittal and the expiration of such sixty-day period there has not been passed by the two Houses a concurrent resolution stating in substance that the Congress does not favor the foreign trade agreement.

(b) For the purposes of subsection (a) (3)—

(1) continuity of session shall be considered as broken only by an adjournment of the Congress sine die; but

(2) in the computation of the sixty-day period there shall be excluded the days on which either House is not in session because of an adjournment of more than three days to a day certain; except that if a resolution (as defined in section 202) with respect to such foreign trade agreement has been passed by one House and sent to the other, no exclusion under this paragraph shall be made by reason of adjournments of the first House taken thereafter.

SEC. 5. (a) The second sentence of section 350 (a) (2) of the Tariff Act of 1930, as amended, is hereby amended to read as follows: "No proclamation shall be made (A) decreasing by more than 50 per centum any rate of duty, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress), (B) increasing by more than 50 per centum any rate of duty, however established, existing on June 12, 1934 (even though temporarily suspended by Act of Congress), or (C) transferring any article between the dutiable and free lists."

(b) The proviso of subsection (b) of such section is hereby amended to read as follows: "Provided, That the duties on such an article shall in no case (1) be decreased by more than 50 per centum of the duties, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress), or (2) be increased by more than 50 per centum of the duties, however established, existing on June 12, 1934 (even though temporarily suspended by Act of Congress)."



(c) Subsection (d) of such section is hereby amended by striking out "increased or" and by striking out "increase or".

SEC. 6. Title II of the Reorganization Act of 1945 (Public Law 263, Seventy-ninth Congress) shall apply with respect to concurrent resolutions expressing disapproval of foreign trade agreements transmitted to the Congress by the President pursuant to section 4 of this Act in the same manner and to the same extent as such title applies with respect to concurrent resolutions expressing disapproval of reorganization plans transmitted to the Congress by the President; but references in such title to "reorganization plan" or "plan" shall, for the purpose of this section, be considered to refer to "foreign trade agreement" or "agreement," respectively.

Passed the House of Representatives May 26, 1948.

Attest:

JOHN ANDREWS, *Clerk.*

[H. Rept. No. 2009, 80th Cong., 2d sess.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 6556) to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### GENERAL STATEMENT

The tariff policy of the United States should be one which promotes the maximum of beneficial foreign trade. Essential factors in the consideration of methods which will help in the realization of that goal are national defense and domestic security. The Ways and Means Committee, after a long and careful study of the subject of tariffs and foreign trade, is convinced that the interests of this country and of the world would be best served by the adoption of H. R. 6556.

The bill recommended by the committee is the first step in more than 14 years toward a scientific adjustment of trade regulations consistent with the goal of maximum beneficial world trade. Its adoption will continue until June 30, 1949, the authority of the President to negotiate and enter into trade agreements with other countries. The Tariff Commission, as a bipartisan, independent agency, is directed to make factual studies and determinations concerning the extent to which tariffs can be raised or lowered in any such agreement without endangering the national security or consequential injury to our domestic economy.

The following is a comparison of the present procedure in the negotiation of an agreement with that under the proposed legislation:

#### OPERATION UNDER PRESENT METHOD

1. State Department announces intention to negotiate an agreement and the items to be considered.
2. CRI, established by Executive order, composed of representatives of interested executive departments, announces hearings.
3. Hearings before CRI.
4. Trade agreements (interdepartmental). Committee formed by Executive order considers evidence, item by item, and reports to the President.
5. President approves or modifies Trade Agreements Committee recommendations.
6. Negotiations by State Department.
7. Agreement signed.

#### OPERATION UNDER PROPOSED METHOD

1. No change.
2. President transmits list of items to Tariff Commission and directs that agency to make a study of each item. Tariff Commission announces hearings.
3. Hearings before the Tariff Commission.
4. Tariff Commission considers evidence and transmits report of findings to the President. No Tariff Commission members to be on Trade Agreements Committee but Commission required to cooperate fully throughout negotiations.
5. President approves or modifies Tariff Commission recommendations.
6. No change.
7. No change.

8. President proclaims new rates.

8. If the rates in the tentative agreement fall within the competitive area found by the Tariff Commission, the President may immediately proclaim them. If the Tariff Commission report is not followed, then the President may not proclaim the new rates until, Congress has had opportunity, within 60 days, to object by concurrent resolution.

This new administrative machinery provides needed safeguards for the protection of domestic industry, agriculture, and labor. It improves the administrative machinery for the determination of articles on which concessions in our tariff may be made with safety.

It delegates to the Tariff Commission, a bipartisan group of tariff experts, the responsibility for making recommendations on an economic basis concerning proper rates of duty and delegates to our President and the State Department the diplomatic function of negotiating agreements with other nations.

It is the purpose of this committee in instituting these improvements to give all possible aid and impetus to the efforts of this country to promote world peace and economic advancement. The committee feels that legislation of this type is very timely and advisable. In 1949 the charter for an International Trade Organization will be considered by Congress. If adopted, this charter will require permanent legislation on the subject of our trade with other nations. The Trade Agreements Act must be considered in relation to such legislation. Various proposals for international customs unions and hemispheric cooperation will be other related questions which Congress will consider next year.

The President is authorized, under the bill, to negotiate agreements with other nations and modify existing duties to an extent greater than that recommended by the Tariff Commission. Such agreements shall, however, become effective only when they have been submitted to the Congress and the Congress has not disapproved of the same within 60 days.

The committee strongly urges that the bill do pass.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

"TARIFF ACT OF 1930, AS AMENDED

"PART III—PROMOTION OF FOREIGN TRADE

"SEC. 350 (a) \* \* \*

"(1) \* \* \*.

"(2) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder. [No proclamation shall be made increasing or decreasing by more than 50 per centum any existing rate of duty or transferring any article between the dutiable and free lists.] *No proclamation shall be made (A) decreasing by more than 50 per centum any rate of duty, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress), (B) increasing by more than 50 per centum any rate of duty, however established, existing on June 12, 1934 (even though temporarily suspended by Act of Congress), or (C) transferring any article between the dutiable and free lists.* The proclaimed duties and other import restrictions shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly, or indirectly: *Provided*, That the President may suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts including the operation of inter-

national cartels or policies which in his opinion tend to defeat the purposes set forth in this section; and the proclaimed duties and other import restrictions shall be in effect from and after such time as is specified in the proclamation. The President may at any time terminate any such proclamation in whole or in part.

"(b) Nothing in this section shall be construed to prevent the application, with respect to rates of duty established under this section pursuant to agreements with countries other than Cuba, of the provisions of the treaty of commercial reciprocity concluded between the United States and the Republic of Cuba on December 11, 1902, or to preclude giving effect to an exclusive agreement with Cuba concluded under this section modifying the existing preferential customs treatment of any article the growth, produce, or manufacture of Cuba: **[Provided, That the duties payable on such an article shall in no case be increased or decreased by more than 50 per centum of the duties now payable thereon.]** *Provided, That the duties on such an article shall in no case (1) be decreased by more than 50 per centum of the duties, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress), or (2) be increased by more than 50 per centum of the duties, however established, existing on June 12, 1934 (even though temporarily suspended by Act of Congress).*

"(c) \* \* \*

"(d) (1) When any rate of duty has been **[increased or]** decreased for the duration of war or an emergency, by agreement or otherwise, any further **[increase or]** decrease shall be computed upon the basis of the postwar or post-emergency rate carried in such agreement or otherwise.

"(2) Where under a foreign trade agreement the United States has reserved the unqualified right to withdraw or modify, after the termination of war or an emergency, a rate on a specific commodity, the rate on such commodity to be considered as 'existing on January 1, 1945' for the purpose of this section shall be the rate which would have existed if the agreement had not been entered into.

"(3) No proclamation shall be made pursuant to this section for the purpose of carrying out any foreign trade agreement the proclamation with respect to which has been terminated in whole by the President prior to the date this subsection is enacted."

"Sec. 2. \* \* \*

"Sec. 3. \* \* \*

"Sec. 4. Before any foreign-trade agreement is concluded with any foreign government or instrumentality thereof under the provisions of this Act, reasonable public notice of the intention to negotiate an agreement with such government or instrumentality shall be given in order that any interested person may have an opportunity to present his views to the President, or to such agency as the President may designate, under such rules and regulations as the President may prescribe; and before concluding such agreement the President shall seek information and advice with respect thereto from **[the United States Tariff Commission,]** the Departments of State, **[War, Navy,]** Agriculture, and Commerce, *the National Military Establishment*, and from such other sources as he may deem appropriate."

#### VIEWES OF THE MINORITY MEMBERS ON H. R. 6556

We, the undersigned minority members of the Committee on Ways and Means, submit the following views and reasons therefore to the House, with the recommendation that H. R. 6556, in its present form, be rejected:

1. Enactment of H. R. 6556 would kill the reciprocal-trade-agreements program as a major instrument of foreign policy by prescribing preliminary procedures involving interminable delays before the President could negotiate a reciprocal-trade agreement.

2. The determination of minimum tariff rates would be vested in the Tariff Commission, which would be required to consider only the interest of domestic producers, without regard for, and representation of, the broad interests of American industry, labor, farmers, and consumers, and American financial and foreign policy.

3. H. R. 6556 would make possible the imposition of tariff rates 50 percent higher than the rates of the Hawley-Smoot Tariff Act of 1930, which resulted in the stagnation of trade and commerce.

4. The foregoing limitations make extension of the Trade Agreements Act for 1 year practically a meaningless gesture.

5. Failure to extend the Reciprocal Trade Agreements Act in substantially its present form for a 3-year period would be a shattering blow to our leadership in the international economic field.

#### INTRODUCTION

For the fifth time the Congress is considering extension of the Trade Agreements Act. On each past occasion the Congress has made exhaustive and detailed examination of every aspect of the act itself and of the operation and results of the trade-agreements program carried on under its authority. Thousands of pages of testimony have been taken in open hearings. Each time the Congress has found that the program had been soundly administered and that its results were beneficial to the economy of the United States and of other countries as well.

As late as 1947, furthermore, the Committee on Ways and Means held some 7 weeks of hearings and took 1,731 pages of testimony on the operation of the Trade Agreements Act and the proposed International Trade Organization. Convincing evidence was again presented to show that the program is highly valuable to the United States.

A subcommittee of the Committee on Ways and Means held closed hearings on the extension of the Trade Agreements Act from May 3 to May 8, 1948. The minority members of the subcommittee strongly objected to holding the hearings behind closed doors but cooperated fully in expediting the hearings. The subcommittee was not formally considering any particular bill for the extension of the act, although a number of witnesses referred to the Doughton bill (H. J. Res. 335), which calls for a straight 3-year extension of the act. Since the hearings closed, however, the subcommittee has reported out H. R. 6556, a bill which would extend the Trade Agreements Act by only 1 year instead of 3 and which contains amendments to the present law which would sabotage the trade-agreements program.

#### THE PRESIDENT'S MESSAGE

On March 1, 1948, the President, in a message to Congress, requested a 3-year extension without crippling amendments and gave, succinctly, the reasons for such extension. That message follows:

*To the Congress of the United States:*

I recommend that the Congress extend the Reciprocal Trade Agreements Act in its present form for 3 years, until June 12, 1951. This act authorizes the President, under well-defined procedures and limitations, to conclude agreements with other countries for the reciprocal reduction of tariffs and other obstacles to international trade.

For 14 years the Reciprocal Trade Agreements Act has been an essential element of United States foreign policy. It was first enacted in 1934 and has been extended by the Congress four times, on each occasion after thorough study of its operation and results. It was well known to the American people and has drawn their constant and increasing support, regardless of party affiliation.

The basic reason for this constant popular support and repeated congressional approval is that the act has provided a sound method for increasing world trade through progressive lowering of trade barriers, to the benefit of living standards both here and abroad.

The importance of the act is greater today than it has ever been. Together with other nations, we are engaged in a mighty endeavor to build a prosperous and peaceful world. The financial assistance we have already contributed, and the further aid we shall give to nations in Europe and elsewhere, constitute a tremendous investment toward world economic recovery. The Reciprocal Trade Agreements Act, by stimulating an increasing flow of trade between nations, will contribute strongly to the achievement of this objective. Its extension is essential if we are to complete the work we have begun.

The trade-agreements program contributes not only to the restoration of a prosperous world economy, it also contributes directly to the welfare and prosperity of the people of the United States. Our people need to import many commodities from abroad; we need equally to export many of our products. Both needs are served by agreements which reduce or eliminate obstacles to commerce between the United States and other countries.

These agreements recognize the fundamental fact that trade is a two-way business and that our foreign commerce depends upon a balanced relationship

between imports and exports. Foreign countries must be able to sell to us if they are to have the dollars to pay for our exports and to repay our loans. Adequate markets for our agricultural and industrial producers depend upon the lowering of trade barriers by other countries. Imports of goods needed in this country improve the standard of living of our people as consumers at the same time that they make possible the maintenance of markets for our people as producers.

Currently, we are exporting far more than we are importing. But this is a temporary condition made necessary by considerations of overriding importance. The trade-agreements program is a sound method for achieving a more balanced relationship in the future within the broader framework of the expanding world trade so necessary to economic reconstruction.

In addition, by contributing to the lowering of trade barriers, the United States can support the expansion of private trading as distinct from Government trading. The existence of trade restrictions is too often accompanied by Government participation in trading operations, extending even to trading by Government agencies. The preservation of our private-enterprise system at home is closely bound up with the reduction of trade restrictions and the encouragement of private international trade.

The Reciprocal Trade Agreements Act is a proven instrument for achieving these objectives. Prior to 1945 the United States had concluded agreements with 29 countries, affecting about one-half of our foreign commerce. These agreements helped greatly to reduce trade barriers and to stimulate the foreign commerce of the United States and the other countries concerned.

Since 1945 we have continued our efforts to reduce the strains imposed upon the world economy by narrow concepts of economic nationalism. Last summer at Geneva the United States and 22 other countries concluded the most important and comprehensive trade agreement in history. By this agreement these 23 nations agreed to reduce their tariffs, or to maintain low tariffs or none at all, on a wide variety of products. The products affected accounted in 1938 for over half the world's international trade. In addition, the Geneva agreement included commitments to curb the use of other trade restrictions, such as import quotas and preferential treatment of imports from one country as against those from another.

This agreement is a landmark in international economic relations. Never before have so many nations combined in such an intensive effort to reduce barriers to trade. While it will be some time before the benefits of the agreement can be fully felt, it is clear that it will make a substantial contribution to the expansion of world trade and to the recovery of the world economy.

We expect that many other countries will wish to join the Geneva agreement. The continuance of the Reciprocal Trade Agreements Act is necessary to enable the United States to play its part in extending this reduction of trade barriers to these other countries. Furthermore, we shall need the authority of the act to make appropriate revisions in the Geneva agreement as they are made necessary by changing world conditions.

The trade-agreements authority will also be needed to enable us, in concert with other nations, to carry out the International Trade Organization charter, now being completed at Habana. The United States has actively sponsored the creation of this Organization to encourage the conduct of trade between nations on fair and liberal principles and to provide a forum where nations can consult on points of economic difference and on cooperative measures to solve common economic problems. The proposed charter, which will be presented to the Congress at a later date, includes as one of its cardinal points the undertaking that all member countries will stand ready to negotiate for the reduction of tariffs and other trade barriers on a reciprocal and mutually advantageous basis. The extension of the Reciprocal Trade Agreements Act will enable us to carry out this undertaking.

For all these reasons I am convinced that we should continue the Reciprocal Trade Agreements Act. The positive benefits to world trade, to United States export industries and agriculture, and to our domestic consumers are beyond question. Furthermore, we need have no fear of serious harm to any domestic producer. An expanding foreign trade promotes the most efficient use of our productive resources and contributes to the growing prosperity of the whole Nation.

In addition, the interests of domestic producers are carefully protected in the negotiation of each trade agreement. I assured the Congress, when the Recipro-

cal Trade Agreements Act was last extended in 1945, that domestic producers would be safeguarded in the process of expanding trade. That commitment has been kept. It will continue to be kept. The practice will be continued of holding extensive public hearings to obtain the view of all interested persons before negotiations are even begun. The practice will be continued whereby each agreement before its conclusion will be carefully studied by the Departments of State, Treasury, Agriculture, Commerce, and Labor; the National Military Establishment; and the United States Tariff Commission. Finally, each agreement will continue to include a clause which will permit withdrawal or modification of concessions if, as a result of unforeseen developments and of the concessions, imports increase to such an extent as to cause or threaten serious injury to domestic producers.

The Reciprocal Trade Agreements Act is a tested and practical means, which has wide bipartisan support, for achieving the benefits of expanding world commerce for the United States and for other countries. It is a continuing evidence of the determination of the United States to contribute its full share to the reconstruction of a sound and growing world economy as the basis for enduring peace. As such, I strongly recommend that the act be extended for an additional 3 years.

HARRY S. TRUMAN.

#### THE MAJORITY BILL

The bill proposed by the majority is a sham and typical protectionist device.

It is exactly what you would expect from its sponsors who have always been opposed to the principle of the trade-agreements program. It clearly shows that they lack the courage to attack the program directly. Instead they present a bill which appears to permit the program to continue but actually sets up such conditions as to make it practically unworkable.

In the first place the bill extends the authority only to the close of June 30, 1949. It is essential that longer than a year be provided in order effectively to plan and to negotiate agreements. All past renewals of the Trade Agreements Act have, with one exception, been for 3 years.

In addition the bill provides that after the preparation of the usual published list of import products to be considered for the possible granting of concessions in the agreement, and before entering into such agreement, the Tariff Commission shall report to the President with regard to such products—

(1) the extent to which duties and other import restrictions may be modified; or

(2) the extent to which additional import restrictions may be imposed; or

(3) the maximum periods (if any) for which obligations may be undertaken to continue existing customs or excise treatment—without causing or threatening serious injury to domestic producers or impairing the national defense. Such a report would take months to prepare. It would be wasted effort in those cases where the President decided not to change the duty to the full extent determined by the Tariff Commission. It imputes a degree of certainty which is not present in tariff making and would be a waste of the taxpayers' money at a time when cries are daily raised for economy in governmental expenditures.

The determinations called for in such a report are not necessary for every product. In fact, the record shows that no industry has needed such a report in order to be protected from injury. Moreover, if despite the great care with which concessions have been made under the present method injury should threaten or result, all recent and new agreements provide for modification or withdrawal of the concession.

This one feature of the bill is alone sufficient to practically guarantee non-action, because merely by failure to arrive at agreed determinations the Tariff Commission could prevent the negotiation of even a single agreement during the year. Even assuming the best intentions, agreement could not quickly be reached by the three Republican and three Democratic members.

The Commission apparently would be required to analyze all the available facts and to arrive at judgments based on such facts and on assumptions regarding such imponderables as the rate of rehabilitation in war-torn countries, the course of price levels in the United States and foreign countries, and the movements of foreign exchange rates. The obviously wide area for differences of opinion precludes the establishment of any formula for quickly resolving conflicting views, so that extended delays is almost certain on the controversial items in any proposed list for trade-agreement negotiation. Moreover, it is doubtful whether the Tariff Commission at present has a sufficiently large num-

ber of qualified personnel to understate the responsibilities under the bill. The Chairman of the Commission in a letter dated May 17, 1948, in response to an inquiry from the ranking minority member of the Committee on Ways and Means, expressed the following personal views on the question:

"The Commission's staff is highly qualified for the type of work in question, but at present totals only about 220. This staff is not adequate even for the present duties of the Commission. Should H. R. 6556 become law and should trade-agreement negotiations become active, additional staff would be required to meet the new responsibilities entailed by the act. How large an increase in staff would be needed would depend upon the interpretation given to section 2 of the bill. This section requires the Commission to make an investigation and report to the President regarding the concessions which may be made, without injury to domestic producers, on each of the articles which are listed for inclusion in the negotiations. It would be one thing if 'investigation' by the Commission were to be limited, as it has been in connection with most articles covered by the trade agreements so far made, to assembling and analyzing the readily available information on the various articles. It would be quite another thing if section 2 should be construed to require special investigations with respect to all, or most, of the articles included in the negotiations. Of course, an interpretation intermediate between these two extremes might be adopted, whereby such special investigations could be confined to a limited number of commodities as to which particularly difficult problems were present.

"By the term 'readily available information,' I mean information already in the possession of the Commission, whether or not previously published, and such additional information as can readily be obtained from other Government agencies or from private sources, without special investigation. By 'special investigation' I mean an inquiry of the type which involves field work or questionnaires, or both. I have in mind investigations of such scope as those the Commission conducts under section 22 of the Agricultural Adjustment Act and as those which the Commission will make in cases arising under the 'escape clause' in trade agreements."

Moreover, the annual report of the United States Tariff Commission for 1947 states: "A larger staff is essential if the Commission is to continue to fulfill adequately and promptly the duties already laid upon it by existing law." Yet the bill would increase tremendously the responsibilities of the Tariff Commission without consideration of the personnel deficiencies in the size of the present staff.

The bill provides that the President shall submit to Congress for its veto any agreement which would involve any tariff action exceeding that recommended in the Tariff Commission report. This in effect places the determination of tariff concessions in the hands of a single agency, the Tariff Commission.

The full weight of all the pressures of special interests would concentrate on the Tariff Commission. It is questionable whether the best interest of the country would be served by subjecting a single agency to the concentrated pressures which tariff lobbyists can exert.

The President would be put in an improper position in the event that he found it in the public interest to exceed the limits set by the Tariff Commission. Tariff Commissioners are Presidential appointees. To submit to Congress disagreements between the President and the Tariff Commission would be incompatible with efficient administration.

Under the bill no member of the Tariff Commission or of its staff could participate in the recommendations to the President or in the negotiation of an agreement. This is a complete waste of talents and abilities. It deprives the President of the assistance of trusted and competent officers in negotiating the best bargain for the United States. It places a high wall around the Tariff Commission so far as the remainder of the agencies participating in the trade-agreements program is concerned. In the give and take of discussion on any tariff concession under the procedure of the past 14 years, the contribution of the Tariff Commission has been invaluable. This would be lost under the present bill.

Of even more serious nature is the fact that other governmental agencies with responsibilities with regard to the effect of tariffs on domestic industry and national security are subordinated to the Tariff Commission. The Tariff Commission's judgment should not prevail over that of the Department of Agriculture in the field of agriculture. The Tariff Commission is not qualified to make determinations regarding the national defense.

The requirement in the bill that the Tariff Commission hold public hearings either would result in duplication of effort or would deprive other Government

departments of the benefit of such hearings. The other departments would be unable to question the witnesses and thus be unable to obtain in many instances, if past experience is any guide, a completely clear understanding of the problem. Furthermore, such hearings would not yield information on United States export products or other matters relating to the agreement. Either a separate hearing which would be confusing, would be necessary or a segment of the American economy would have an opportunity to be heard. This segment is vastly larger than the one which would appear at the Tariff Commission hearing. It consists of people interested in exports; it consists of people who are interested in better international relations; it consists of consumers; it consists of a predominant part of labor; it consists of a large share of the farmers.

This in broad outline is the bill now being proposed by the majority. It means an end to the trade-agreements program as a major instrument of foreign policy. The procedure set up is extremely cumbersome and would be exceedingly difficult to implement; and to make absolutely certain that little or nothing will be done, the authority is extended for only 1 year.

Other countries will recognize the measure for what it is. They know what our policy was in 1920's. They will see history starting to repeat. They have always been fearful that the United States has not actually grown up and is unwilling to accept the responsibilities which go with being the most powerful country in the world - both politically and economically. And those foreigners who even fabricate falsehoods about this country in order to shake the confidence of other freedom-loving people in us will not hesitate to make full use of this bill.

All the fears which have been raised by people opposed to the trade-agreements program have been fears of future injury. The present method has proved workable and has not resulted in injury. On the contrary, it has brought about reductions in trade barriers in wide areas throughout the world. The majority clearly want the program to die, but they do not have the courage to act so that everyone can clearly fix the responsibility.

#### THE RECORD OF THE RECIPROCAL TRADE AGREEMENT PROGRAM SINCE 1916

In 1916 the Congress not only extended the act for three full years, but also greatly strengthened the bargaining power in the hands of the President to be used in obtaining from other countries concessions of value to American trade and American producers. The President was empowered to change United States tariff rates by not more than 50 percent of the rates in effect on January 1, 1916, instead of by 50 percent of the rates in effect in 1914 when the act was first passed. This authority to make new and additional concessions on the part of the United States has been effectively used to obtain new and additional concessions from other countries.

#### *A. Executive order improves procedure and adds safeguards*

In February 1917 the President, by Executive Order No. 9832, provided for substantial improvements in the procedure of administering the program and for new safeguards against any possible injury to the domestic economy as a result of concessions made in trade agreements. This order was issued after consultation with leaders of both parties in Congress. It provided, among other things, that every new agreement was to include an escape clause under which the United States may take prompt and, where necessary, unilateral action to modify or withdraw a particular concession, if it is found that as a result of unforeseen circumstances and as a result of the concessions, imports are entering this country in such increased quantities and under such conditions as to cause or threaten serious injury to a domestic industry. The United States Tariff Commission is charged with the making of such findings, after full investigations and public hearings, and with making recommendations to the President as to measures to be taken to prevent injury.

#### *B. Related measures in economic foreign policy*

Since 1916 the United States has embarked upon a comprehensive program of international cooperation, designed to provide the foundation for a sound development of international economic relations. The trade-agreements program is an essential part of this structure. The success of the International Bank for Reconstruction and Development and of the International Monetary Fund will depend on the recovery of international commerce. The billions of dollars' worth of goods which the United States has poured and is pouring into the relief, reconstruction, and economic development of other countries will be largely wasted unless, in the end, the peoples of those countries are able to



produce abundantly and efficiently and to exchange their products on equitable terms and without excessive barriers to trade. This fact has been recognized by the 16 nations participating in the European recovery program. They have committed themselves to negotiate among themselves and with other countries for the purposes of reducing trade barriers. In the law establishing the Economic Cooperation Administration Congress wisely reiterated this same objective. The United States must be in a position to join with them in this program. Extension of the Trade Agreements Act, in a fully workable form, is essential to the completion of our task.

In 1945 the United States Government published and transmitted to other governments for discussion its proposals for expansion of world trade and employment. A preparatory committee set up by the Economic and Social Council of the United Nations met first at London and then at Geneva with the proposals and the American charter draft as basic documents for their discussions. After months of preparatory work, the United Nations Conference on Trade and Employment met at Habana beginning in November of 1947. On March 24, 1948, agreement on the text of a charter was reached at Habana by 53 of the nations participating in the conference. The Habana charter is to be brought before the Congress for approval as it will be presented to the governments of the other countries whose delegates accepted it at Habana. A key provision of the charter is the requirement that each member nation negotiate with the other members for mutual reduction of their tariff and other trade barriers and for the elimination of discriminations in trade. The Trade Agreements Act provides the only authority under which the United States Government may be able effectively to participate in such negotiations.

These are some of the far-reaching constructive moves which the United States has made in the field of economic foreign policy. The reciprocal trade-agreements program, for 14 years the major instrument of our economic foreign policy, is of key importance against the background of these other and related measures.

### *C. General agreement on tariffs and trade concluded at Geneva*

Under the authority of the Trade Agreements Act representatives of the United States Government concluded at Geneva, in 1947, a reciprocal trade agreement with 22 other countries. This agreement is the most comprehensive action ever taken for the reduction of barriers to international trade. The countries participating in the negotiations account for some two-thirds of the total international commerce of the world.

(1) *Procedure before negotiation.*—In preparing for and carrying on the trade-agreement negotiations at Geneva the United States Government acted in accordance with the procedures established under the Trade Agreements Act and the Executive orders issued in connection with it. Public notice of intention to negotiate the agreement was issued on November 10, 1946. At the same time there was published a list of all United States import items on which tariff concessions would be considered during the negotiations. All interested persons had opportunity, either by submitting statements and briefs or by appearing at public hearings, to give views and information on the proposed agreement. Over 1,000 briefs and statements were received and 676 witnesses presented information and views at the public hearing which was held in January 1947. It was only after these investigations and public hearings were held that the interdepartmental Trade-Agreements Organization submitted its recommendations to the President for approval before negotiations began. The negotiations themselves opened at Geneva on April 10, 1947, and ended on October 30, 1947.

(2) *General provisions.*—The general agreement on tariffs and trade negotiated at Geneva contains general provisions corresponding largely to those in the bilateral trade agreements which the United States had previously negotiated with individual countries. These provisions safeguard and make more effective the specific tariff concessions contained in the agreements. They relate to such matters as the extension to each other of most-favored-nation tariff treatment by the contracting countries; nondiscrimination in internal taxation of domestic and imported products; commitments to refrain from imposition of unduly burdensome regulations and restrictions regarding customs administration and other matters; commitments regarding the use of quotas, subsidies, and like measures; exceptions under which contracting parties might be relieved from some of the obligations incurred in the agreement; and other like matters.

The escape clause permitting emergency action to prevent injury to a domestic industry as a result of increased imports due to a particular concession, required by the Executive order referred to above, is one of the important general provisions of the agreement.

(3) *Wide scope of agreement.*—The specific tariff concessions provided for in the agreement cover more than 45,000 items and apply to some two-thirds of the trade of the participating countries or about one-half of the total international commerce of the world. The tariff concessions made by each country party to the agreement are applicable to the products of all of the other parties. They include complete eliminations or substantial reductions of certain tariffs and tariff preferences, the binding of certain duties at previously existing levels, and the binding of previous duty-free treatment.

(4) *Concessions obtained by the United States.*—The concessions made by other countries at Geneva cover products accounting for a substantial proportion of total United States exports to those countries and include almost all the important United States export products. The table which follows shows in summary form the value of imports from the United States into the Geneva countries, mainly in 1939, of products covered by concessions granted in the general agreement. In addition to the value of concessions shown, totaling \$1,262,061,000, possibly as much as 90–95 million dollars of trade may be covered by concessions which cannot readily be matched up with statistics of past imports.

*Imports (mainly in 1939) from the United States of commodities upon which concessions were made, by listed countries*

<i>Country</i>	<i>Value (thousands of United States dollars)</i>
Australia (1938/1939).....	42, 420
Belgium-Luxemburg-Netherlands Customs Union.....	115, 426
Brazil (1938).....	38, 651
Burma (1938/1939).....	1, 113
Canada.....	341, 062
Ceylon.....	933
Chile.....	16, 428
China.....	51, 941
Cuba.....	74, 933
Czechoslovakia (1937).....	25, 326
France.....	138, 761
India and Pakistan (1938/1939).....	10, 011
New Zealand.....	12, 896
Norway.....	15, 362
Southern Rhodesia.....	1, 220
Syro-Lebanese Customs Union (1938).....	2, 147
Union of South Africa.....	40, 928
United Kingdom:	
Metropolitan area.....	329, 622
Newfoundland (1938/1939).....	2, 881
<b>Total, all countries listed.....</b>	<b>1, 262, 061</b>

Source: U. S. Tariff Commission, Operation of the Trade Agreements Program, July 1934 to April 1948, pt. 1, p. 48 (preliminary draft).

The following tabulation shows the value of total dutiable and duty-free imports into the United States in 1939. It also shows the 1939 values of United States imports of products on which concessions were made at Geneva, by type of concession.

	Value	Percent of total imports
Total United States imports in 1939.....	\$2, 247, 700, 000	100
Duty-free.....	1, 397, 000, 000	61
Dutiable.....	879, 000, 000	39
Total imports of "concession" items.....	1, 750, 000, 000	77
Bound duty-free at Geneva.....	1, 131, 000, 000	50
Bound at previous tariff rates.....	148, 000, 000	6
Tariff rates reduced.....	471, 000, 000	21

(5) *Extent of general agreement in effect.*—The general agreement was put into effect provisionally on January 1, 1948, by Australia, the Belgium-Netherlands-Luxemburg customs union (Benelux), Canada, Cuba, France, the United Kingdom, and the United States. It went into effect on April 21, 1948, with respect to Czechoslovakia and on May 22, 1948, with respect to China. Other participating countries have until June 30, 1948, to take the necessary action to put the agreement in effect according to their own constitutions and laws.

PUBLIC SUPPORT FOR EXTENSION OF PRESENT RECIPROCAL TRADE AGREEMENTS ACT

A. *The recent hearings*

The people of the United States will recognize that the bill is designed to kill the reciprocal trade-agreements program and to return to the Smoot-Hawley method of dealing with tariffs. In fact, the bill authorizes rates even up to 50 percent greater than the tariff rates of the Smoot-Hawley Tariff Act of 1930 under which trade and commerce became stagnant.

The hearings which have been held over the past 14 years, including those held in closed session during the week of May 3, 1948, are more than ample evidence of the overwhelming support for the present program. At the most recent hearing the number of witnesses appearing in favor of the program exceeded those appearing in opposition, and vastly exceeded the opposition as to number of people which they represented.

1. *Favorable witnesses.*—Secretary Marshall, Will Clayton, Williams C. Foster, Under Secretary of Commerce, and Charles Brannan, Assistant Secretary of Agriculture, appeared in person in support of the President's recommendation. In addition statements were presented by Secretary Forrester, and Averell Harriman, former Secretary of Commerce and now Ambassador at large under ERP.

Mr. Earl O. Shreve, President of the United States Chamber of Commerce—largest business organization—testified in favor of renewal of the Trade Agreements Act in its present form. Mr. John Abbink, representing the National Foreign Trade Council, and Mr. Morris Rosenthal, representing the National Council of American Importers, similarly testified in favor of the program. Mr. H. J. Heinz II, chairman of the United States Associates of the International Chamber of Commerce, appeared in favor of the extension. A statement of Mr. Allan B. Kline, president of the American Farm Bureau Federation, the largest farm organization, was read before the committee, by the head of the Bureau's Department of International Affairs who presented additional important supporting information in support. Mr. Russell Smith appeared for the Farmers Union. Mr. Charles P. Taft, the able son of the former President, representing the Federal Council of Churches of Christ in America, which has a membership of 27,000,000, appeared. He also made a favorable statement in his personal capacity and showed by facts and figures how past cries of expected future injury had proved to be completely unjustified. Dr. Mildred Northrop, professor of economics, Bryn Mawr College, made an able statement advocating extension of the act.

A statement by Mr. James B. Carey, secretary-treasurer of the CIO, was presented favoring the program. He informed us that 2.5 million nonfarm workers are directly or indirectly dependent for their jobs upon exports. Mr. George M. Harrison, president of the A. F. of L. Brotherhood of Railway Clerks, said, in allaying the fear of foreign competition: "We know that because of America's high industrial efficiency and productivity American labor can compete to advantage with free labor anywhere in the world."

Among numerous letters, telegrams, and statements in support of the extension of the act, an illuminating statement was received from Hon. Cordell Hull, the distinguished former Secretary of State, the "Father of the modern reciprocity." That statement is as follows:

"STATEMENT BY THE HONORABLE CORDELL HULL, HONORARY CHAIRMAN,  
CITIZENS' COMMITTEE FOR RECIPROCAL WORLD TRADE

"Fourteen years ago our Nation, embarked upon a policy of international cooperation in expanding world trade as an essential foundation of our national prosperity, international political stability, and last world peace. That policy, embodied in the Reciprocal Trade Agreements Act of 1934, and the program that has been carried forward to give effect to the act were carefully devised and have been amply tested. The policy and the program have been reaffirmed by the

Congress four times through successive renewals of the act. By the very force of their soundness and continuity, they have won the acceptance of the American people and have provided a beacon light for the free nations of the world.

"Today our Nation and all nations need more than ever before to cooperate wholeheartedly in establishing, in as large an area of the world as possible, the conditions of political liberty, economic progress, and enduring peace. The attainment of these conditions of civilized life especially requires that the peoples of the world have an opportunity to trade with one another to their mutual benefit and with a minimum of stultifying restrictions. The trade-agreements program provides the most effective framework for the realization of that opportunity. The continued existence of the program is indispensable if our Nation and all nations are to look confidently to a brighter future.

"The devastating war and its tragic aftermath have created enormous difficulties in Europe and in many other parts of the world which have led to economic poverty, political and social instability, and a deep-seated sense of insecurity. Toward helping to alleviate these difficulties, our Nation, in recent weeks, undertook a wise and far-reaching program of economic assistance to the free nations of Western Europe and of other parts of the earth designed to afford them such temporarily and desperately needed assistance as would enable them to cooperate with us and with each other to the greatest benefit of all of us. But a program of recovery must have a sense of basic direction and must proceed along a broader and more lasting course.

"To this end, it is of the utmost importance that the Reciprocal Trade Agreements Act remain on our statute books as a continuing instrument of fruitful international cooperation. It is my earnest hope that the Congress which has recently shown the imagination and courage to enact the foreign-assistance legislation, will again reaffirm this country's broad and basic policy of international economic cooperation by renewing the present Trade Agreements Act."

2. *Opposition witnesses.*—Most of the witnesses for the opposition professed to appear in their private capacities. However, we are sure no one will overlook the fact that Mr. Arthur Besse is president of the National Association of Wool Manufacturers, that Mr. Claudius Murchison represents the Cotton-Textile Institute, that Mr. Robert Martin is executive secretary of the Vitrified China Association, that Mr. Wickliffe Rose, as well as two other opposition witnesses, have been closely identified with the American Tariff League<sup>1</sup> for year. The only opposition from labor was from an extremely small protectionist group. It is hardly a coincidence that all of these groups have appeared in opposition at most, if not all, of past hearings on the renewal of the Trade Agreements Act.

*B. Public opinion polls*

The most recent Gallup poll on the reciprocal trade program, published on May 12, 1948, reported that informed persons with opinions voted 10 to 1 in favor of the continuation of the trade-agreements program.

The answers:

	<i>Percent</i>
Should be continued.....	80
Should not be continued.....	8
No opinion.....	12

Half of those favoring continuation said they felt very strongly about this matter, slightly less than half felt fairly strongly and less than 1 in 10 not strongly at all. No major difference between Republican and Democratic voters were apparent in regard to continuation of the program. Eight out of ten in each party support it.

This favorable ratio of public support is substantiated by a coast-to-coast poll conducted by the magazine Modern Industry in the spring of 1947. Eighty-one percent of its readers voted "yes" to the question "Should the reciprocal trade-agreements program be continued?" Strongest support, 85.5 percent, was registered in the North Central States.

*C. Press comment*

The reciprocal trade-agreements program was endorsed by a majority of business paper editors who participated in an opinion survey conducted by the National Conference of Business Paper Editors in the spring of 1947.

<sup>1</sup> The American Tariff League since 1885 has been an organization of business firms and associations advocating a high protective tariff. The organization claims to be exempt from Federal income taxes.

Since March 1, 1948, the following newspapers have been noted as favoring the renewal of the Trade Agreements Act. They number 54 and only 4 have been noted as critical of the program.

FAVORING

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| <p>New England:<br/>                 Boston (Mass.) <b>Herald</b>.<br/>                 Christian Science <b>Monitor</b>.<br/>                 Manchester (N. H.) <b>Union</b>.<br/>                 Providence (R. I.) <b>Bulletin</b>.<br/>                 Springfield (Mass.) <b>Union</b>.<br/>                 Middle Atlantic:<br/>                 Baltimore (Md.) <b>Sun</b>.<br/>                 Johnstown (Pa.) <b>Tribune</b>.<br/>                 New York (N. Y.) <b>Herald Tribune</b>.<br/>                 New York (N. Y.) <b>Journal of Commerce</b>.<br/>                 New York (N. Y.) <b>Post</b>.<br/>                 New York (N. Y.) <b>Times</b>.<br/>                 Philadelphia (Pa.) <b>Bulletin</b>.<br/>                 Philadelphia (Pa.) <b>Inquirer</b>.<br/>                 Pittsburgh (Pa.) <b>Post-Gazette</b>.<br/>                 Pittsburgh (Pa.) <b>Press (Scripps-Howard)</b>.<br/>                 Stroudsburg (Pa.) <b>Record</b>.<br/>                 Wall Street (N. Y.) <b>Journal</b>.<br/>                 Washington (D. C.) <b>News (Scripps-Howard)</b>.<br/>                 Washington (D. C.) <b>Post</b>.<br/>                 Washington (D. C.) <b>Star</b>.<br/>                 Watertown (N. Y.) <b>Times</b>.<br/>                 Midwest:<br/>                 Cincinnati (Ohio) <b>Enquirer</b>.<br/>                 Chicago (Ill.) <b>News</b>.<br/>                 Chicago (Ill.) <b>Sun-Times</b>.<br/>                 Cleveland (Ohio) <b>Press (Scripps-Howard)</b>.<br/>                 Des Moines (Iowa) <b>Register</b>.</p> | <p>Detroit (Mich.) <b>Free Press</b>.<br/>                 Detroit (Mich.) <b>News</b>.<br/>                 Kansas City (Mo.) <b>Star</b>.<br/>                 Kansas City (Mo.) <b>Times</b>.<br/>                 Milwaukee (Wis.) <b>Journal</b>.<br/>                 Minneapolis (Minn.) <b>Tribune</b>.<br/>                 St. Louis (Mo.) <b>Globe-Democrat</b>.<br/>                 St. Louis (Mo.) <b>Post-Dispatch</b>.<br/>                 South:<br/>                 Atlanta (Ga.) <b>Constitution</b>.<br/>                 Baton Rouge (La.) <b>State-Times</b>.<br/>                 Birmingham (Ala.) <b>Age-Herald</b>.<br/>                 Charlotte (N. C.) <b>Observer</b>.<br/>                 Dallas (Tex.) <b>News</b>.<br/>                 El Paso (Tex.) <b>Herald</b>.<br/>                 Fort Worth (Tex.) <b>Press</b>.<br/>                 Forth Worth (Tex.) <b>Star-Telegram</b>.<br/>                 Greenwood (Miss.) <b>Commonwealth</b>.<br/>                 Houston (Tex.) <b>Post</b>.<br/>                 Louisville (Ky.) <b>Courier-Journal</b>.<br/>                 Memphis (Tenn.) <b>Press-Scimitar (Scripps-Howard)</b>.<br/>                 Miami (Fla.) <b>Herald</b>.<br/>                 New Orleans (La.) <b>Times-Picayune</b>.<br/>                 Raleigh (N. C.) <b>News and Observer</b>.<br/>                 Richmond (Va.) <b>Times-Dispatch</b>.<br/>                 Tampa (Fla.) <b>Tribune</b>.<br/>                 West:<br/>                 Los Angeles (Calif.) <b>Times</b>.<br/>                 Denver (Colo.) <b>Post</b>.<br/>                 San Francisco (Calif.) <b>Chronicle</b>.</p> |
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CRITICAL

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| <p>Baltimore (Md.) <b>News-Post (Hearst)</b>.<br/>                 Bristol (Pa.) <b>Courier</b>.</p> | <p>New York (N. Y.) <b>Sun</b>.<br/>                 Wheeling (W. Va.) <b>Intelligencer</b>.</p> |
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*Columnists, writers, and radio commentators.*—Since March 1, 1948, 18 columnists, writers, and radio commentators have been noted as favoring renewal as compared to but 1 noted as critical. They are as follows:

FAVORING

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| <p>Childs, Marquis (Washington Post)<br/>                 Edson, Peter (Washington News)<br/>                 Drummond, Roscoe (Christian Science Monitor)<br/>                 Ives, C. P. (Baltimore Sun)<br/>                 Kingdom, Frank (New York Post)<br/>                 Krock, Arthur (New York Times)<br/>                 Lindley, Ernest (Newsweek)<br/>                 Lippmann, Walter (Washington Post)<br/>                 Owens, John (Baltimore Sun)<br/>                 Porter, Sylvia (New York Post)<br/>                 Riggs, Robert (Louisville Courier-Journal)</p> | <p>Stanford, Neal (Christian Science Monitor)<br/>                 Stokes, Thomas L. (Washington News)<br/>                 Strout, Richard (Christian Science Monitor)<br/>                 Van Devander, Charles (New York Post)<br/>                 Davis, Elmer<br/>                 Eaton, Richard<br/>                 Kaltenborn, H. V.</p> |
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CRITICAL

- Brown, George Rothwell (Hearst)

*Magazines and publications.*—Magazines and publications noted since March 1, 1948, as favoring No. 8 as compared to one noted as critical, as follows:

FAVORING

American Milk Review  
 America  
 Export Trade and Shipper  
 Fortune

Friend, The  
 Nation, The  
 Port of Baltimore Bulletin  
 World's Business and Importers Guide

CRITICAL

Oil, Paint and Drug Reporter

CONCLUSION

It is our earnest conviction that peace, freedom, and world trade are inseparable, and that the foreign relations of the United States, political and economic, are indivisible. The existing Reciprocal Trade Agreements Act has enabled the President to negotiate mutually beneficial trade agreements with 41 foreign countries as a means of advancing the best interests of American industry, labor, farmers and consumers, and the execution of American military, financial, and foreign policies. The weaknesses, fallacies, and subterfuges of H. R. 6556, in its present form, constitute a clear and deliberate effort to sabotage and smash the reciprocal trade program.

Continued expansion of trade and commerce among free nations is an essential corollary to the foreign-assistance program recently enacted by Congress. Enactment of the bill would be the subordination of American leadership in world economic affairs to the special interests of a few domestic producers.

The Reciprocal Trade Act, in our opinion, is the keystone of our bipartisan foreign economic policy. Its extension in substantially its present form for a full 3-year period is, therefore, legislative business of the highest priority.

ROBERT L. DOUGHTON.  
 JERE COOPER.  
 JOHN D. DINGELL.  
 WILBUR D. MILLS.  
 NOBLE J. GREGORY.  
 A. SIDNEY CAMP.  
 WALTER A. LYNCH.  
 AIME J. FORAND.  
 HERMAN P. EBERHARTER.

The CHAIRMAN. Mr. Clayton, will you identify yourself to the reporter and proceed?

**STATEMENT OF WILLIAM L. CLAYTON, SPECIAL ADVISER TO THE SECRETARY OF STATE, WASHINGTON, D. C.**

Mr. CLAYTON. My name is William L. Clayton, and I am at present adviser to the Secretary of State.

I appreciate very much, Mr. Chairman and gentlemen, this opportunity of appearing before you. I have a short statement here which I would like to present before submitting myself to questioning.

The Trade Agreements Act, which has now been in effect for nearly 14 years, has been the subject of widespread public and official discussion during these last few weeks. For the fifth time, the Senate Committee on Finance is considering renewal of the act. A subcommittee of the House Ways and Means Committee has already taken testimony, from May 3 to 8, concerning the operation of the program, and witnesses both for and against the program were heard.

Judged by the importance of the interests involved, the greater preponderance of opinion expressed at the hearings was favorable. Recent polls of public opinion and editorials all over the country also show overwhelming support for the program.

The existing procedure for negotiating trade agreements is based upon the act and upon Executive orders issued pursuant to the act, including in particular Executive Order No. 9832. This procedure is thoroughly interdepartmental and democratic. Seven agencies—the Departments of Agriculture, Commerce, Labor, State, and Treasury, the National Military Establishment, and the Tariff Commission—are represented in a central operating committee known as the Interdepartmental Committee on Trade Agreements. This committee, assisted by its interdepartmental “country” subcommittees, directs preliminary exploratory studies to determine when and with whom negotiations may profitably be undertaken, prepares recommendations to the President as to concessions to be offered and requested, supervises actual negotiations, and watches over the operation of agreements concluded.

Before any concessions are formulated, adequate public notice is given as to the products to be considered, and public hearings are held by the Committee for Reciprocity Information to receive testimony of persons interested in possible concessions to be given or requested in agreements about to be negotiated. The information received is circulated throughout the organization. The Committee for Reciprocity Information is made up of representatives of the same agencies as those represented on the Trade Agreements Committee and, in most cases, the same individuals serve on both committees. At this same stage, the Tariff Commission makes an analysis of the facts relative to the production, trade, and consumption of all products listed for possible concessions by the United States and as to the probable effect of granting a concession thereon. These digests are made public except for confidential information. Similar studies are prepared by the Commerce Department on commodities on which we may want to seek concessions from other countries.

All of this material is carefully studied, first by country committees, then by the full committee. After full discussion, agreement is reached on recommendations which are then transmitted to the President. In most cases agreement is unanimous. If any agency dissents from the recommendation, it is required to make a full report to the President on the reasons for its dissent.

This procedure has enabled us to offer worth-while concessions on a selective basis and so to promote world-wide trade barrier reduction consistent with the best interests of our own producers.

However, safeguarding procedure does not end there; we also have the escape clause which permits withdrawal of any concession which endangers a domestic industry. Such withdrawal can be unilateral, if necessary, and may occur in case of threatened as well as actual injury if imports under a concession increase as a result of unforeseen circumstances. Designed to be operated by the Tariff Commission reporting directly to the President, it offers a prompt and sure remedy always available when needed.

Safeguarding action under the escape clause, though of highest importance, is only one of the many features in the present procedure which account for the remarkable record of safe tariff modification which the trade-agreements program has achieved.

Full Tariff Commission participation in every phase of the negotiation of trade agreements is one safeguard, given the Commission's re-

sources of detailed knowledge of international trade and the experience of its staff in negotiation.

The interdepartmental character of the entire organization conducting trade-agreement negotiations is a second safeguard for two distinct reasons. In dealing with questions to which there is no certain answer—such as, for example, questions of future price, supply, and demand for any commodity—the judgment of a group of agencies is superior to the judgment of any single agency. Secondly, each agency has special responsibility for different considerations, thus minimizing the possibility that any one criterion of tariff-making will take undue precedence over others. This balanced judgment prevails at both the country-committee level, where experts from the different agencies collaborate in formulating recommendations to the Trade Agreements Committee, and in the full committee itself. No concession is recommended unless it would, in the judgment of the members, leave adequate protection for domestic industry against a serious injury. Equally, however, no concession is recommended unless it accords with the security interests of the country, with the interests of agriculture, of consumers, and, more broadly, with the over-all foreign economic policy of the United States. On the other side, the probable bargaining value of particular concessions must also be considered. That is, no factor, least of all domestic welfare, is disregarded, but all are weighed together by the entire group, each agency having an equal voice in all decisions.

Altogether, the system has worked remarkably well, and there is no cause for dissatisfaction with it.

In view of the extensive information already available regarding this procedure, I shall not dwell on it any longer.

Although advance fears of injury have been repeatedly expressed, there has not been a single case in all these years in which such fears have materialized. In a few cases, the President has found that changed conditions made it necessary to take some action and has accordingly withdrawn or modified a concession.

In spite of this record, which proves the complete adequacy of existing procedure, we are now asked to make fundamental changes in the procedure which would altogether change the complexion of the program.

Achievements under the program have been very substantial. We have concluded agreements with 42 countries in all, culminating in the 23-nation general agreement on tariffs and trade which we negotiated last year at Geneva. The substantial benefits obtained are set forth concisely in the recent Tariff Commission report of February 25, 1948, entitled "Operation of the Trade Agreements Program, Part I," beginning on page 23.

I will not take up your time with other statement on this subject. It is enough to say that the Geneva agreement alone is a major accomplishment. It establishes tariff treatment for about half of the world's international trade and sets a pattern that will enable more goods to be produced the world over. Foreign recovery will be based on the assurance of freer trading conditions than would otherwise obtain, and controls now necessary may be removed sooner than would be possible without the agreement.



The question may arise: Why must we go on with the program when so much has already been accomplished? There are three principal reasons why we must go on. The Geneva agreement is only the beginning of a system which we hope may ultimately include at least twice the number of countries so far participating. For example, we have no trade agreement at all with six of the countries which are cooperating to receive aid under the European recovery program, and 10 of the 16 are not parties to the general agreement. We must have full authority to be able to bring other countries in.

Second, we need the authority because of the European Cooperation Act. This act wisely requires cooperating countries to reduce trade barriers among themselves and between themselves and other countries. Renewal of the Trade Agreements Act is necessary to enable us to join them in that purpose. Mr. Harriman stressed the importance of this point in his statement filed with the Ways and Means Committee of the House.

Finally, our entire economic leadership in the world today is at stake. Commercial policy cannot be separated from our lending program, from our recovery assistance, or from any part of our foreign economic policy. The whole makes up one single structure which we cannot afford to weaken at any point. May I quote Secretary Marshall on this point? Speaking before the subcommittee of the Ways and Means Committee, he said:

Any serious weakening of the Trade Agreements Act at this critical period in world affairs would almost certainly be regarded by other countries not only as a surrender of our leadership in the international economic field, but as a repudiation of much that has been accomplished under our leadership in that field.

These are the main reasons why the act should be renewed as we have had it heretofore and for the customary 3-year period.

I would like to comment briefly on what I consider to be certain major defects in H. R. 6556. Before I begin, however, I wish to make it clear that none of my comment is intended to reflect in any way upon the Tariff Commission or any of its members. The defects of the bill arise out of fundamental changes in procedure for negotiating trade agreements in no way related to the particular agency concerned.

The main objections to H. R. 6556 are these: (1) the bill in effect fixes responsibility for making changes in the United States tariffs on the Tariff Commission, and on the Commission alone; (2) the Commission is isolated from the trade-agreements organization for the purpose of performing this function; (3) the Commission is directed to consider only protection and to base its recommendations exclusively upon the needs of particular industries for protection.

House Resolution 6556 shifts the responsibility for tariff-change recommendations from the interdepartmental committee to the Tariff Commission alone and directs the Commission to guarantee in effect that the tariff modifications it recommends will not injure any domestic producers. Faced with sole responsibility for making predictions in matters necessarily uncertain, any agency would be extremely cautious in its recommendations and would resolve every doubt in favor of protection. Faced with the obligation of making formal findings based upon the sole criterion of protection, no agency would allow even calculated risks on behalf of the basic purposes of the act to enter into its consideration. All sorts of pressure would, in

addition, be brought to bear upon the staff of the Commission. No agency placed in such a position could avoid overcaution.

Niggardly action by us in our negotiations with other countries will beget niggardly action by others and resulting agreements, if any, would be of little value.

Mr. Chairman, just here I would like to call attention to the fact that this procedure provided for by H. R. 6556 also has disadvantage in that it will cause unusual delay. In order to make the necessary investigations, the Tariff Commission would certainly require in some cases several months in which to investigate the situation respecting the commodities that it is intended to negotiate with other countries on. Questions of the cost of production in this country and abroad will undoubtedly enter into their considerations.

Senator TAFT. Somebody investigates that today, do they not?

Mr. CLAYTON. Yes, Senator Taft.

Senator TAFT. Why would the Commission take any longer than four or five commissions?

Mr. CLAYTON. The reason is that the Tariff Commission is charged with the sole duty of considering that question and that question only.

Senator TAFT. You mean to say your board, without the Tariff Commission, does not care; they take into consideration, but even though it does cause a threatened serious injury to domestic production, but you think it is worth while to go ahead?

Mr. CLAYTON. No; we do not, Senator. To begin with, the judgment as to whether or not an action will cause injury or may cause injury to a certain industry is purely a question of judgment. There is no scientific method by which you can arrive absolutely at a conclusion.

Senator TAFT. I am considering the one point. You say the Tariff Commission will take longer to do this than five commissions that presumably do it today.

Mr. CLAYTON. They take much longer, because the only criterion here is the question of whether an action may cause injury to certain industries.

The CHAIRMAN. If there is only one criterion to work on it should take less time.

Mr. CLAYTON. No; I think it will take a much longer time, Mr. Chairman, for the reason that all the pressures of all the investigated interests and groups will be brought to bear on this Commission.

Senator TAFT. You mean they could fine somebody, and now they cannot fine anybody.

Mr. CLAYTON. Oh, yes; they do. They find plenty of people because, as you know, Senator Taft, full opportunity is given every interested party to appear before the Committee on Reciprocity Information and to state their case.

The CHAIRMAN. Mr. Clayton, is it not perfectly obvious it comes to the same thing in terms of time? You give opportunity to all interested parties to appear before the very committee that you are mentioning. What saving of time is there whether they appear there or whether they appear before the Tariff Commission?

Mr. CLAYTON. All the pressure, Mr. Chairman, will be brought on the Tariff Commission, and since they are charged specifically with designating a point in the tariff below which you must not go unless

you are to cause injury to a certain producer, their investigations will be much more meticulous, much more detailed. They are certain to go into the cost of production.

The CHAIRMAN. Is that not desirable?

Mr. CLAYTON. In this country and abroad.

The CHAIRMAN. Is that not desirable?

Mr. CLAYTON. Not in great detail, Mr. Chairman, because the history of cost of production studies by the Tariff Commission shows that in the past when they have tried to make them, they have taken from 2 to 4 years to find the cost of production of an article in the United States alone, let alone in foreign countries—from 2 to 4 years for some studies. The record shows that. Even then they are oftentimes divided as to what the right answer is.

The CHAIRMAN. Then you have been making these trade agreements without considering the cost of production.

Mr. CLAYTON. Oh, no. We have given that consideration to it, but not meticulously and in great detail.

The CHAIRMAN. In other words, you have run your business without meticulousness.

Mr. CLAYTON. Mr. Chairman, we have not run it exclusively on the question of cost of production, because that is not a proper or sufficient means of determining what concessions shall be.

The CHAIRMAN. I expect to question you closely as to what the standards are later on.

Mr. CLAYTON. Yes, sir. I would like to say another word about the cost of production while we are on the subject, though, and that is, as a means of tariff making, the cost of production is a very poor criterion to go by. That has been stated by no less authority than Judge O'Brien, who was for a long time Chairman of the Tariff Commission. It has been stated in effect by President Taft, who considered the matter at one time, and I have quotations from both of them here in my files.

The CHAIRMAN. The purpose is to protect the American people.

Senator TAFT. Yes; and did they not avoid that? That is why they have used these words. I do not know whether it is a better statement: Without causing or threatening serious injury to domestic producers or impairing national defense. The cost of production I suppose is a factor. But the bill admits it is not a conclusive factor and admits in effect you cannot always find it.

Mr. CLAYTON. I think inevitably that the factor of cost of production under this bill will come into the Tariff Commission consideration very prominently, if not becoming the only factor.

Senator TAFT. It comes in now under the present bill. You must get a general idea of the difference in cost of production.

Mr. CLAYTON. It has to be very general, Senator, for the reason—

Senator TAFT. Under this act the same general determination is required as under the present act.

Mr. CLAYTON. When you determine cost of production you have to then determine whose cost of production you are talking about.

Senator TAFT. I am not talking about the cost of production. I am talking about whether it does have serious injurious effect to domestic production.

Mr. CLAYTON. To find out whether it will do serious injury, you have to take into consideration cost of production.

The CHAIRMAN. Should that not be done?

Mr. CLAYTON. Yes, but it should not be the only criterion as to whether you are going to make a concession in a tariff. Under this bill I think it becomes practically the only criterion. The history of the Tariff Commission shows that cost of production findings are difficult to make. If you will consider a moment, Mr. Chairman, you will see why they are difficult, if not impossible, to make. When you talk about the cost of production, whose costs are you talking about? I have appeared before many, many committees in Congress in connection with investigations of the cotton business, and I have often been asked the question what is the cost of producing cotton. There is no answer. The Department of Agriculture can't give it to you. No economist or statistician can give it to you.

Are you talking about the cost of producing cotton on the hillsides of North and South Carolina, small farms where most of the work is hand work, or are you talking about in California or Arizona or west Texas, where most of the work is done by mechanization and in large operations? Are you talking about it where you depend upon rainfall, are you talking about it where you have irrigation, where you are not dependent upon weather. There is no answer.

The experience of the Commission in trying to find out, for example, the cost of producing tombstones in the United States some 20 years ago under the act at that time where the Commission had to get this information and advise Congress, the experience was that it took them 4 years to find out and even then they had a divided Commission on it.

The CHAIRMAN. Perhaps they should put a tombstone on fellows who took that long.

Mr. CLAYTON. Perhaps so. Anyway, Commissioner Denney, who issued a dissenting report from the majority report on the cost after 4 years of investigation, made the statement that it had been just about as difficult to find the cost of producing tombstones in the United States as it was to predict the destination of the souls that they were set up to commemorate. It just shows you, Mr. Chairman, how difficult it is to find the cost of production. It is difficult in this country, and if it is difficult here, it would be practically impossible abroad.

The CHAIRMAN. You are assuming the Tariff Commission would adopt utterly impractical procedures to achieve the direction of the act. That is what you are assuming.

Mr. CLAYTON. No, Mr. Chairman, I am not. I am just assuming that, charged with the single duty of protecting American producers, they are going to try to find out what has to be done to protect them and the most important element in that, if you can ascertain it, is cost of production.

The CHAIRMAN. Then you are arguing that the most important element for the protection of the American producer should be either eliminated or slighted.

Mr. CLAYTON. No, sir; I am not. I am not arguing that at all, Mr. Chairman. I think that it should be taken into account as near as you can get it without going into enormous detail for great periods of time to try to find out something for which a satisfactory answer does not exist.

The CHAIRMAN. Do you not think the Tariff Commission would have sense enough to avoid the extremes of which you are speaking?

Mr. CLAYTON. They didn't before, because they thought they were operating under a mandate.

The CHAIRMAN. As Senator Taft has pointed out, there is no mandate of that kind in this act.

Mr. CLAYTON. I think they would probably have to assume it. The record shows that it took—I can give you instance after instance where it took from 18 months to 2 years to find the cost of production in the United States. For tariff-making purposes, cost of production in the United States alone is not worth anything. You have to find it abroad as well.

The CHAIRMAN. That is right.

Mr. CLAYTON. Then at once the question arises, cost of production in what country abroad? It will vary in different countries. Suppose you could find it out absolutely, you can't make tariff on that basis, because you would have to have a different tariff for each country because the costs abroad will certainly vary by countries. You can't have a separate tariff for each country. It is quite out of the question.

Senator LUCAS. If there is a different interpretation of what the bill actually means, the Tariff Commission is not going to take any chance.

Mr. CLAYTON. I don't think they will. I don't think they can afford to.

The CHAIRMAN. Who can afford to take chances?

Mr. CLAYTON. Mr. Chairman, I think you have to consider first of all whether the tariff policy today is intended to give absolute protection to all American producers under any and all circumstances or whether it is a broad, national question that we want to consider. We must consider the opening up of markets abroad for our surplus agricultural and industrial production. We want to consider whether we will ever get paid any of the principal or interest on the money we are lending and investing abroad. We want to consider the ability to satisfy the requirements of a fast-growing and prosperous population in the United States. There are questions of that kind. I think they are questions that are entitled to weight as well as the simple question of protection of all producers.

If you are going to protect all producers, are you going to protect the inefficient as well as the efficient?

The CHAIRMAN. What are you folks doing about it at the present time? What is the present view?

Mr. CLAYTON. Mr. Chairman, we take all these factors into consideration and then we arrive at the best judgment and decision we can, considering all these things. This bill says that the only thing to consider is protection to the American producer. That is all that is to be considered in our tariff policy.

The CHAIRMAN. Has not the President said that there would be no injury to American industry?

Mr. CLAYTON. He has said that if it is shown that any concession does injury to any American producer or threatens injury, there is a way by which that producer can get redress.

The CHAIRMAN. Did he not give affirmative assurance and did not the State Department give affirmative assurance in hearings which

have been held on this subject that no American industry would be injured?

Mr. CLAYTON. That is right, and we put in the escape clause to make sure that was carried out.

The CHAIRMAN. Then I suggest, Mr. Clayton, that is an indispensable factor. You have others, but that is an indispensable factor.

Mr. CLAYTON. The escape clause?

The CHAIRMAN. No; the test of injury.

Mr. CLAYTON. Yes, but Mr. Chairman, you cannot determine in advance, nobody can do it, whether an industry is going to be injured or not injured.

The CHAIRMAN. If you cannot determine that, Mr. Clayton, why make an agreement? Why, after promising that no industry will be injured, do you speculate with your promise?

Mr. CLAYTON. We don't speculate, Mr. Chairman. We put in an absolute condition which will guarantee the performance of that promise, which is the escape clause.

The CHAIRMAN. We will come to that. That is nothing by itself at all, but we will come to it.

Mr. CLAYTON. Yes, sir.

Senator BUTLER. Mr. Clayton, I wonder if the reason you feel the results are better through the operation of the interagency committee than through the Tariff Commission is due to the fact that the interagency committee operates more or less in secret while the Tariff Commission operates out in the open?

Mr. CLAYTON. No, sir. The interagency committee does not operate in secret. They have hearings at which interested parties may come and present their case.

Senator BUTLER. If they know when the hearing is to be held.

Mr. CLAYTON. They are published in the newspapers, Senator. Anybody who reads the newspapers can know.

The CHAIRMAN. You are talking about the preliminary panel hearings?

Mr. CLAYTON. I refer to the Committee on Reciprocity Information.

The CHAIRMAN. The Senator is talking about the interdepartmental committee.

Mr. CLAYTON. The hearings are held by the Interdepartmental Committee on Reciprocity Information, which is composed of representatives of the same departments as compose the Interdepartmental Committee on Trade Agreements.

The CHAIRMAN. The men on the interdepartmental committee are not the men who sit on these panels?

Mr. CLAYTON. In many cases they are, sir.

The CHAIRMAN. But not always?

Mr. CLAYTON. Not always, no.

The CHAIRMAN. So the presentation of facts that is listened to at the panel meetings does not reflect in the interdepartmental committee.

Mr. CLAYTON. The presentation of facts does not reflect the interdepartmental committee? I don't understand.

The CHAIRMAN. I am saying the men who sit on the interdepartmental committee, if that has been correctly described, are not necessarily the men who sit on the panels.

Mr. CLAYTON. Not always. Usually they are, but not always.

The CHAIRMAN. And the interdepartmental committee, pursuing Senator Butler's question, we might as well have these things straightened out as we go along. The interdepartmental committee does not hold public hearings.

Mr. CLAYTON. The interdepartmental committee as such does not, as the President does not, but their instrumentality does, which is the Committee on Reciprocity Information.

The CHAIRMAN. That is all very true.

Mr. CLAYTON. They hold a hearing, Senator, and a record is made of the hearings, the testimony, the briefs that are filed, and all of this information is digested and made available to the interdepartmental committee.

The CHAIRMAN. On every item?

Mr. CLAYTON. Yes, on every department.

The CHAIRMAN. How many items were there in the Geneva agreement?

Mr. CLAYTON. About 3,000.

The CHAIRMAN. How many broken down items? There were some forty thousand, were there not?

Mr. CLAYTON. Broken down items? I don't understand.

The CHAIRMAN. You are speaking of categories.

Mr. CLAYTON. If you include all the 23 countries, there were a great many.

The CHAIRMAN. Were there not about 43,000 or something of that kind, altogether?

Mr. WINTHROP G. BROWN (Acting Director, Office of International Trade Policy, Department of State). Yes; if you take the concessions made by all the countries.

The CHAIRMAN. So your interdepartmental committee had 43,000 items to consider.

Mr. CLAYTON. No, sir.

The CHAIRMAN. They did not consider those?

Mr. CLAYTON. No.

The CHAIRMAN. What did they consider?

Mr. CLAYTON. They had about 3,000 items to consider.

The CHAIRMAN. The whole range of the subject covered 43,000 and the interdepartmental committee considered 3,000.

Mr. CLAYTON. We had only 3,000 items to consider, Senator, because there were only 3,000 items on which we would propose to give concessions in our tariffs on imports into the United States.

The CHAIRMAN. We were giving concessions under the reciprocal theory to get something back from all these other countries.

Mr. CLAYTON. That is right.

The CHAIRMAN. The whole thing together, all inseparable under your own theory, amounted to 43,000 items?

Mr. CLAYTON. Not affecting the United States.

The CHAIRMAN. Does not our export into those countries, the items on which there were concessions and so forth, total 43,000? Am I using the right figure? I see that in some of your propaganda.

Mr. BROWN. That is correct, sir, but there were many items which were of interest to only two or three of the other countries. In such items the United States has no trade at all.

The CHAIRMAN. Does not the generalization of the clauses of the arrangement work all the way across the board?

Mr. BROWN. Surely.

The CHAIRMAN. So we had 43,000 items of interest, and you considered 3,000 items.

Mr. CLAYTON. We didn't have 43,000 items of interest to the United States, Senator.

The CHAIRMAN. Are we not interested in world trade, Mr. Clayton?

Mr. CLAYTON. Yes; but many of those items we could not furnish at all. We can't furnish coffee and bananas and things of that kind. They were not of interest to us at all insofar as our exports and imports were concerned.

The CHAIRMAN. Do we not make substantial concessions or reductions in relation to coffee and bananas? Do we not make bindings or concessions or reductions, or do we not insist on certain things from the countries which supply us with coffee and bananas?

Mr. CLAYTON. We insist upon getting concessions from them.

The CHAIRMAN. Of course.

Mr. CLAYTON. In our exports to them.

The CHAIRMAN. If not, you have no reciprocal trade.

Mr. CLAYTON. Certainly.

The CHAIRMAN. So we are interested in the whole field of trade.

Mr. CLAYTON. We are interested in the whole field of world trade, of course, Senator, but the point I am making is that there were not 43,000 items, in the Geneva agreement, which directly affected our imports and exports into and out of the United States.

The CHAIRMAN. The Tariff Commission gave you information on all the 3,000 items?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. And each of the 3,000 items was considered by each of the members of the interdepartmental committee?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. Now, Mr. Clayton, will you bring the minute book of the interdepartmental committee here this afternoon, which will show the record of their proceedings?

Mr. CLAYTON. If they have a minute book, Senator.

The CHAIRMAN. They are not doing this kind of business without a record, are they?

Mr. CLAYTON. No, sir; they have a complete record.

The CHAIRMAN. Let us have the record, the minute book, that will show what came before the interdepartmental committee, what consideration was given to each item, and so forth.

Mr. CLAYTON. I will be glad to take that request under consideration, Senator.

The CHAIRMAN. It ought to be quickly and readily available. If something of that kind is not available, that is a very significant factor as far as protecting the country is concerned.

Mr. CLAYTON. I will be glad to take that under consideration, Mr. Chairman.

(A letter in reference to the above will be found on p. 55.)

I would like to finish this statement.

Other agencies with their special responsibilities for the interests of agriculture, labor, export industries, national security, and over-all



foreign economic policy are, in effect, disfranchised by H. R. 6556 from participation in rate recommendations.

The CHAIRMAN. Would you prefer, Mr. Clayton, to go into your exact standards that you use later, after you finish your statement?

Mr. CLAYTON. I would, sir.

Matters within their jurisdiction would be excluded from consideration so that they could no longer assume their proper responsibilities.

Senator TAFT. I do not agree with that. They have the same responsibilities. The only thing is you cannot override their recommendations. Their recommendations cannot override serious injury to American industry; that is all. Their recommendations are the same. They can make the same recommendations. They can emphasize to the President their various considerations. There is only one thing: This says they cannot override a finding, which we presume is correct, but it will seriously injure American producers. That is the only question. They are not disfranchised.

Mr. CLAYTON. Excuse me, Senator Taft. I insist that they are, because they have no vote.

Senator TAFT. They haven't a vote on that particular question. If that finding of fact is made, they cannot override it, but they can make all the recommendations they want as to whether it should come down to that very point. It is serious injury, mind you. It is not just injury to American producers. It is serious injury. Somebody makes that finding of fact. It is only said that a lot of people who are interested in export trade and are naturally prejudiced against the situation cannot make a finding that you can go ahead with a rate reduction regardless of injury to the American producer. That is the only result of this situation.

Mr. CLAYTON. Excuse me, Senator. Today each one of these agencies has a vote as to what the recommendation to the President shall be. Under H. R. 6556 they are disfranchised from any vote whatsoever.

Senator TAFT. Oh, no. There is no disfranchisement. They make the recommendations such as they do now.

Mr. CLAYTON. But they make it to the Tariff Commission.

Senator TAFT. There is no vote anyway. The President's discretion under the present law is final and complete. There is no vote by anybody.

Mr. CLAYTON. Yes, there is.

Senator TAFT. They all can vote one way and the President decide another way.

Mr. CLAYTON. I beg your pardon, Senator. The vote is taken by the interdepartmental trade agreements committee as to what the recommendation of the committee to the President shall be.

Senator TAFT. There is nothing in the law that says he has to follow it.

Mr. CLAYTON. There is nothing in the law, of course, that says he has to follow it. Each one of these departments does have a vote in what the recommendation of the committee to the President shall be. Under H. R. 6556 every department in the Government except the Tariff Commission is deprived of that right.

Senator TAFT. They have no vote today. That is just your arrangement. In the second place, all they have is a recommendation.

They have the recommendation still only with the one exception; they cannot override a finding of fact by the Tariff Commission that this will do serious damage to American producers. That is all. It is a question of who decides it.

Mr. CLAYTON. The whole procedure, Senator Taft, is outlined in the Executive order of February 25, 1947, and is an official thing. While it is not in a statute, it is carried by the Executive order of the President and binds the President and the administration. In that procedure each one of these departments has a vote as to what the recommendations on the basis of the record and the findings shall be to the President. Under H. R. 6556 they no longer have that vote.

The CHAIRMAN. Let us take the bill as it came from the House and without any indication or viewpoint as far as I am concerned as to whether I favor it or do not favor it. If the Tariff Commission went ahead under the procedures prescribed here, the President still under Executive order could maintain this interdepartmental committee and could continue to abide by its advice. If he did not accept the Tariff Commission's advice, it could come to Congress for review. Is that not right?

Mr. CLAYTON. Yes, sir. If he wants to override the Tariff Commission and submit it to Congress and let Congress decide whether the President or the Tariff Commission is right—

Senator TAFT. On the narrow point as to whether anybody is being disfranchised, the President by Executive order could still continue the voice of each one of these departments in an advisory council as to whether he should or should not accept the advice of the Tariff Commission. Is that not correct?

Mr. CLAYTON. And then submit the matter to Congress and let the Congress decide. That is right.

Senator TAFT. If he decided to accept it.

Mr. CLAYTON. That is right.

Senator TAFT. So there is no necessary disfranchisement in it at all.

Mr. CLAYTON. I think as a matter of fact there is disenfranchisement.

Senator TAFT. Not unless as a matter of practice the President will not put his signature on the proper Executive order.

Mr. CLAYTON. I think the intent of this bill is that whatever the Tariff Commission decides shall be law, and that that is the intent. While the President has the legal right to override it and submit it to Congress, the Congress will look at the matter and seeing that the Tariff Commission has decided so and so, will decide in favor of the Tariff Commission.

Senator TAFT. Mr. Clayton, under this bill—let me say right now I am in favor of dropping out the congressional review, assuming that other things can be done in other parts of the bill—but under this bill as it comes to us, the very purpose of the congressional review is to give the President flexibility so that he does not have to abide by the opinion of the Tariff Commission.

Mr. CLAYTON. Yes.

Senator TAFT. But if he does that then he brings it to Congress.

Mr. CLAYTON. Yes; and you put the President into conflict with one of the agencies of the Government, the Tariff Commission, and submit it to Congress to let Congress decide which is right.

Senator TAFT. Mr. Clayton, the Congress has constitutional and exclusive authority if it wishes to exercise it, over this subject matter.

Mr. CLAYTON. That is right, if they wish to exercise it, just as they have over freight rates.

I am advised that the agencies in question feel, and I share their feeling, that they must retain the right adequately to protect the interests within their special jurisdiction and are writing to this committee to make known their views on this point.

(Letters from two of the agencies appear beginning on p. 57; letters from the remaining agencies will be on p. 102.)

This disfranchisement would not be accompanied by greater but by more limited participation of the Tariff Commission in the making of trade agreements. The Commission would be removed from the Trade Agreements Committee, where it now performs unique and extremely valuable services. In performing the one function assigned to it by H. R. 6556, namely fixing rates to be recommended, the Commission's only mandate would be to consider protection to domestic producers to the exclusion of other very important factors such as the compelling need to increase imports if we are to retain foreign markets for our surplus agricultural and industrial production and get paid for them, the necessity to expand imports if we are ever to collect any part of the vast sums we are lending and investing abroad.

The CHAIRMAN. Should we suffer serious injury to any domestic industry in order to increase imports, to retain foreign markets, for agricultural or any other kind of production? Should we abandon the test of serious injury to any industry in order to collect the vast sums "which we are lending and investing abroad"?

Mr. CLAYTON. Any part, I say, of the vast sums.

The CHAIRMAN. What I am driving at, Mr. Clayton, is do you claim under this law and under the President's assurance of no injury to domestic industry, that you have the right to abandon that test if you think it will help us sell surplus crops abroad, or surplus machinery abroad, or if it will help us collect some money from somebody abroad?

Mr. CLAYTON. No; I don't advise abandoning the test at all, but what I do advise is abandoning the exclusion of everything else from the test.

The CHAIRMAN. Would you then mitigate the test or weaken the test to accomplish any of those purposes?

Mr. CLAYTON. I would do this, Senator Millikin: I would take into consideration the injury that might come to American producers of wheat, of cotton, and tobacco, and the producers of many industrial products in this country if they should lose their foreign markets. If you want to purchase protection in this country, you will destroy the markets of those concerns abroad, and I think that those industries are as much entitled to consideration for their plant and investment and their labor as are the industries that depend upon protection against foreign competition.

The CHAIRMAN. Mr. Clayton, first, there is quite a little complaint among some of those industries you are talking about as to your reciprocal trade agreements, but passing that, I am driving solely to your test. What you have said now is that you are willing to injure seriously one industry of the United States in order to avoid serious injury to another industry of the United States.

Mr. CLAYTON. Excuse me, Senator. I did not say that.

Senator TAFT. Mr. Clayton, that is the inevitable result of your claim. You have not gotten away from the question of Tariff Commission. You are saying there shall be no such standards. You want the power, somebody to have the power to say although this will destroy an American industry, we think it is worth while. That is a perfectly possible position. That is the position of the free trader, and I think of yourself. You are asking now. You have gotten away from the Tariff Commission. You are saying now we want the power if we think American foreign exports are important, to destroy an American industry.

Mr. CLAYTON. Excuse me, Senator.

Senator TAFT. Absolutely, Mr. Clayton. There is no answer to that. That is your position in this case. There cannot be any other.

Mr. CLAYTON. I think I know my position, with all due respect to you, better than you know it, and that is not my position.

The CHAIRMAN. May I read your words, Mr. Clayton. I quote; you are complaining about the Commission's authority in this bill.

Mr. CLAYTON. That is right.

The CHAIRMAN (reading):

The Commission's only mandate would be to consider protection to domestic producers to the exclusion of other very important factors such as the compelling need to increase imports if we are to retain foreign markets for our surplus agricultural and industrial production and get paid for them, the necessity to expand imports if we are ever to collect any part of the vast sums we are lending and investing abroad.

Mr. CLAYTON. That is right.

The CHAIRMAN. Mr. Clayton, you tell us what that means if it does not mean that in some cases you would permit serious injury to one domestic industry in order, as I think you put it a little while ago, to avoid serious injury to another.

Mr. CLAYTON. No, sir; it does not mean that, Mr. Chairman.

The CHAIRMAN. Then what is the effect of your remarks on the test of domestic injury?

Mr. CLAYTON. The effect of my remarks is this: That I would not set up as the sole criterion for making decisions in this matter, the question as to whether an American producer might or might not be injured. There is no living body in the world that can determine in advance whether a certain action in the reduction of a tariff will or will not injure an American producer. There is nobody who can tell that. There is no man, there is nobody who can tell it. You may have opinions about it, but that is all you have got. My point simply is this, that in order to accomplish certain purposes which I have named, you may have to take some calculated risk. You will not know until you determine by actual practice whether an American industry will be injured or not. If you want to use a level of tariff which will guarantee that no American industry will be injured in any way, make the tariff two or three hundred percent of cost. Then you can be sure. Let me give you an example. You are interested in coppers and metals. I know some copper mines in Michigan that we opened up during the war where today it probably would cost 30 cents a pound to produce copper. They have copper in the ground there, and they can produce it. What would the Tariff Commission have to say, for example, if these gentlemen, the owners of the mines, came before you and said,

"Look here, the world price of copper today is 21½ cents; we have copper in the United States and you are buying it abroad. Let us open up these mines and put people to work in these mines and get the copper out of our own country. It will take 10 cents a pound tariff to do it, but we are entitled to that. Otherwise, we are injured. Our investments destroyed."

That just shows you to what ridiculous length, Mr. Chairman, this thing might go.

The CHAIRMAN. I am simply trying to find out what your theory of the thing is; not what someone else's theory is.

Mr. CLAYTON. Right.

The CHAIRMAN. You, as you said a while ago, should know that better than anybody else.

Mr. CLAYTON. I think I should.

The CHAIRMAN. The State Department and the President has assured domestic industry against injury as a result of these agreements.

You are changing that under your latest statements here, that we shall assure American industry against injury except as to certain calculated risks.

Mr. CLAYTON. No, sir. The only possible way that we can insure, that the Government can insure, that the administration can insure domestic producers they would not be injured by action taken under the Reciprocal Trade Agreements Act is through the operation of the escape clause, unless you want to say we are going to make tariffs two or three or four hundred percent of the value of the commodity.

The CHAIRMAN. Then you would take the calculated risk. This is a very important question because we are going to come to the escape clause. You would take the calculated risk and look to the escape clause for protection of American industry.

Mr. CLAYTON. Yes. That is the only way you can do it, Mr. Chairman. That is the only way you can do it unless you want to have exorbitant tariffs.

The CHAIRMAN. That is another way of saying you would off-the-cuff these things and look to the escape clause to pull you out of a hole if you got into one.

Mr. CLAYTON. No, sir; we do not do it that way.

The CHAIRMAN. Let us get to the escape clause. Let us suppose that injury exists or is threatened. Now tell us about the operation of the escape clause.

Mr. CLAYTON. The threatened producer can go to the Tariff Commission and ask for a hearing. The Tariff Commission is obligated to give the hearing. The producer comes before the Commission and states his case. He is supposed to have some direct evidence at that time which will lead to a conclusion. If the Tariff Commission finds—

Senator TAFT. If he shows what will be closed down, you mean.

Mr. CLAYTON. No; I don't mean that, Senator. He doesn't have to be closed down.

Senator TAFT. You said direct evidence. Which seems to be something more than affecting the production.

Mr. CLAYTON. Imports might have so greatly increased under the reduction in the tariff that he can show that the trend is in the direction of serious injury. If he can make—

The CHAIRMAN. Whatever showing he can make to that effect, presumably he would be permitted to make it, would he not?

Mr. CLAYTON. Yes, he is permitted to make it.

Senator TAFT. Of course.

Mr. CLAYTON. And the Commission makes a finding on the basis of that investigation and submits that finding to the President. If that finding is to the effect that this producer has made out a valid case and he is being injured or is seriously threatened with injury, the President may give relief by withdrawing in part or in whole the concession which has been made.

The CHAIRMAN. Then what happens so far as the other countries are concerned, the other countries who have joined your Geneva agreements?

Mr. CLAYTON. We have the right to do that unilaterally if we wish. We would I think in most cases do it after consultation with the other signatories to the agreement.

The CHAIRMAN. Mr. Clayton, may not those who joined your Geneva agreements make compensating escapes?

Mr. CLAYTON. Certainly.

The CHAIRMAN. Let us see how practical this thing is. The widget business in this country is about to be destroyed, and the President decides that the widget business should be protected, so he goes through the formalities of an escape. The President has to sit there and you will be sitting there and everybody else will be sitting there and saying to himself what compensating escapes will the other fellow take. You have no way of knowing in advance what compensating escapes he will take. Therefore, the overwhelming weight is against taking an escape, because you do not know the repercussions that you would set into motion.

Mr. CLAYTON. I just don't agree with you, Mr. Chairman. If under the Executive order of February 25, 1947, an American producer makes out a good case for his complaint that he is being injured or is threatened with serious injury and the Tariff Commission could so find, I think the President must give relief, regardless of what may happen in the agreement.

The CHAIRMAN. I suggest, Mr. Clayton, if I may use the expression, you are double-crossing all the rest of your argument, because the President cannot anticipate the other injuries that would occur in this country because of the other countries taking their own compensating escapes.

Mr. CLAYTON. No, he can't anticipate that.

The CHAIRMAN. Then should he blindly, and he necessarily would have to do it blindly, because he cannot anticipate what the other fellow's escapes would be—should he blindly on the showing of one injury possibly injure a dozen others through the operation of compensating escapes?

Mr. CLAYTON. Senator Millikin, to begin with, I think the natural procedure would be to consult the other country and work out a mutually satisfactory basis for a change in the agreement, but if that is not done—

The CHAIRMAN. How long would that take you?

Mr. CLAYTON. If that is not done, if there is not sufficient time to do that, then the President would have to act, I think, in the spirit of

his Executive order, in the exact words of the Executive order, and I think he would have to give relief. I don't think there is any other construction that can be made on it.

The CHAIRMAN. Mr. Clayton, as a businessman, you know that these injuries, if they are occurring or threaten to occur, occur very rapidly. After the time you have consulted with all the other countries which are parties to the reciprocal agreements as to what kind of escape they would take if we took an escape, the business is not injured, it is dead by the time you get through with that injury. So I come back to my point, that I respectfully suggest that your escape-clause procedure gives no assurance of protection at all because the whole weight is against taking the escape, because the consequences cannot be foreseen.

Mr. CLAYTON. I don't agree with you, Senator. As for the time element in the negotiations, if any considerable time should be required in the negotiations and if during that time the complaining producer in the United States were being very seriously injured, I don't think the negotiation would take place. I think that the President would act under the escape clause unilaterally, as he has the right to do.

The President in several cases has taken action.

The CHAIRMAN. Mr. Clayton, you would just be reversing what you were talking about awhile ago. Awhile ago you said, as I interpreted it—I think there was some difference in interpretation. Awhile ago you said we might have to injure this one to keep from injuring the surplus of agriculture or manufacturing.

Mr. CLAYTON. Excuse me. I did not say that, Senator.

The CHAIRMAN. I suggest that is the effect of what you said.

Mr. CLAYTON. I didn't say that, Senator.

The CHAIRMAN. You keep your reservations on what I am saying. I am not trying to take any of them away from you. Now you are saying that to protect one industry the other countries through their compensating escapes might injure a dozen of our industries.

Mr. CLAYTON. You injure them only to the extent that they had been benefited by the Reciprocal Trade Agreements Act. They could not do any more than that.

The CHAIRMAN. Of course. That is their consideration.

Mr. CLAYTON. That is right.

The CHAIRMAN. They get benefits out of it because they have given benefits.

Mr. CLAYTON. Yes. Then we might in that case have to renegotiate the whole agreement.

The CHAIRMAN. Yes.

Mr. CLAYTON. The point is, Senator, and I get back to it and I contend that I am right, that under this Executive order of February 25, 1947, relief has to be given and will be given to an American producer who makes out a good case.

The CHAIRMAN. Regardless of what the repercussions might be?

Mr. CLAYTON. Yes, sir; I think it will.

The CHAIRMAN. Then I suggest it is a very bad policy.

Senator LUCAS. What would happen to the so-called ouija industry in the way of retaliation from another country if you displaced a complete tariff rate that protected this country to the point they could not

ship anything at all? There would be some retaliation from the other country, I take it, if we had a tariff system of that kind. It happened in the old days.

Mr. CLAYTON. Certainly. We had that happen all the time. That was the history of course of our tariff policy after World War I. And the following the enactment of the Smoot-Hawley bill, 32 countries in the world took retaliatory action against us.

Senator GEORGE. Has the President exercised the escape clause, the mechanism of the escape clause, in any particular instance?

Mr. CLAYTON. Yes, sir.

Senator GEORGE. Do you recall any?

Mr. CLAYTON. Not this particular escape clause, Senator George, because this had just gone into effect, but in another escape clause not so comprehensive as this one, in connection with the importation of linen fire hose, the President canceled a concession. He canceled a concession because the importations were taking place from countries that got the benefit of the lower tariff through the operation of the most-favored-nation principle. They were not the countries with whom we made the agreement. As that was something that had not been anticipated, the concession was canceled in that case.

This present very comprehensive escape clause was included first in the Mexican agreement and then in the general agreement which was negotiated at Geneva last year. That was the only one that was negotiated subsequent to the issuance of the Executive order of last year providing for the escape clause, and there has not been time yet to test or to use it under the general agreement at Geneva.

Senator TAFT. May I ask you one question: Mr. Clayton, would you object to a clause, leaving out the Tariff Commission thing, simply saying the President shall not make any reduction which causes or threatens serious injury to domestic producers for lack of similar articles?

Mr. CLAYTON. I would, Senator Taft. For the same reason that I object to it in this bill.

Senator TAFT. Even though we leave it to the President to make that finding instead of the Tariff Commission?

Mr. CLAYTON. He has to make that. Under the present procedure that is certainly taken into consideration.

Senator TAFT. I know it is taken into consideration. I am saying whether we shall definitely lay down a standard saying no tariff shall be reduced below a point, I would say domestic industry rather than domestic producers, without causing or threatening serious injury. You think the President should have power even though it causes or threatens serious injury to domestic producers to go ahead and make a reduction because of other considerations. Is that right? Is that your position?

Mr. CLAYTON. No, sir; that is not my position.

Senator TAFT. That is the answer you just made.

Mr. CLAYTON. No, sir. I said I was not in favor of putting that into the law, and the reason I am not in favor of doing it is that there is nobody, the President cannot determine, and there is nobody living, no body of men, no single individual, who can determine in advance whether a certain action is going to cause injury to an American producer. It is impossible.



Senator TAFT. On this theory we ought to repeal all tariff laws, because we put them on the theory we do know that if they are not fair, they will do serious injury. That is the only reason we have any tariff at all.

Mr. CLAYTON. But they may not be high enough, Senator, or they may be much too high for that purpose. That is my point. There is nobody who can tell just the exact point at which you can go without causing serious injury.

Senator TAFT. Of course there is no exact point. It is a question of judgment.

Mr. CLAYTON. This bill attempts to require the Commission to find such a point.

Senator TAFT. You have to say "Yes" or "No," surely, so the President will have to say "Yes" or "No." He does it today and you do. Certainly you cannot determine the exact spot, but he either does or does not do serious injury and the question I was asking was whether you think that is something that ought to be a final determination. You say "No." There are other considerations.

Are you willing to write any standard into a tariff law for the use of the executive department? The Tariff Commission or anybody else. Are you willing that we write in any standard upon which tariffs shall be determined or not?

Mr. CLAYTON. I don't think you should write in a standard that you are going to fix a tariff that you know is going to protect domestic industry.

Senator TAFT. What other standards? Are you willing to write any standards? My objection to the whole law, frankly, is that I have a constitutional objection, if you can call it that, to our simply saying to the President, here, you do as you choose. You set up your Executive orders. You make your standards. You make any decision you want. I think we have the constitutional obligation to write a standard, and I would like to know what that standard ought to be. Do you think there is such a standard that can be written?

Mr. CLAYTON. I don't think it can be written in terms of absolute protection such as this bill is drawn.

Senator TAFT. Absolute protection? This is not absolute protection. This is a very mild thing. Do serious injury. You can well say that it is not a difference in the cost of production, that they can well stand the importation of goods produced abroad at a somewhat lower cost without serious injury. This is a very mild standard. You may say it is impractical. Then I would like to know a better one.

Mr. CLAYTON. If you must fix a minimum rate, Senator Taft, below which you must not go, otherwise you will do serious injury, what you are saying is that you are going to fix a rate here which will give the domestic producer protection against foreign competition. That is what you are saying.

Senator TAFT. To some extent on some principle, yes. That is the only object of having any tariffs at all.

Mr. CLAYTON. That is right.

Senator TAFT. On your theory, if you do not want that, take off all tariffs.

Mr. CLAYTON. No, sir; that is not my theory at all. I am not here arguing for free trade.

Senator TAFT. The only reason we have a tariff of so much on, we will say sugar or wool, is that we have found, or somebody has found, that if you make it any lower than that, it will do serious injury to an American industry.

Mr. CLAYTON. You find—

Senator TAFT. Maybe we made the wrong findings, but that is the only justification for having a tariff.

Mr. CLAYTON. You generally find out definitely by experience, and no other way. You can't know in advance, unless you want just to say the sky is the limit and we are going to put it so high that we know we are right.

Senator TAFT. Surely Congress has the constitutional duty to write a standard by which tariffs should be determined, and I would like to know what you think that standard ought to be.

Mr. CLAYTON. I cannot agree with the standard set forth in the bill.

Senator TAFT. You referred just now to freight rates. We write a standard for the Interstate Commerce Commission. We say the rates must be such as to produce 5 percent, or 5½ percent on the invested capital.

Mr. CLAYTON. Yes.

Senator TAFT. That gives them a standard.

It seems to me that if we are going to do our duty as legislators here, we have to write a standard by which the President shall be bound in making these reductions.

Mr. CLAYTON. As to freight rates, Senator Taft, you probably recall that we tried at one time a standard of reproduction cost of the railway plant of the country, and it took about 10 or 12 years for the Interstate Commerce Commission to determine what that was, and when they got through it was no good because it was so old they had to start over again.

The CHAIRMAN. Mr. Clayton, you put your complete reliance, then, on the escape clause and you leave the Tariff Commission to find the facts as to whether or not an escape should be taken.

If it takes as long prior to making an agreement as you have said it would take for the Tariff Commission to come up with this information why would it not take as long after the agreement is made and when the escape clause was up?

Mr. CLAYTON. For the reason that after the agreement is made and when the escape clause comes into use, presumably the complaining producer has some facts, and not just theory or prediction as to what may or may not happen under certain conditions.

The CHAIRMAN. I suggest to you that he would also have facts if he knew at these preliminary hearings what the goal was that was being shot at.

Mr. CLAYTON. That is impossible to tell him, Senator Millikin, because we cannot inform the public generally as to the basis of our negotiations with somebody before we start the negotiation.

The CHAIRMAN. I suggest that the delaying factor is just as great at one end of the business as it is at the other.

Mr. CLAYTON. I do not think so. I am sorry I can't agree with you. Because under the escape clause the complaining producer presumably has some facts, some records of the imports and of the prices at

which they are selling and of the injury that is being done to him. It should not take long to present those facts. When you are trying in advance to say that a commission like the Tariff Commission must fix a minimum limit below which you can't go because if you do that is going to injure Tom, Dick, or Harry. Who knows whether it is going to injure him or not? Nobody knows.

The CHAIRMAN. Mr. Clayton, the burden of that argument and of a number of others you have made is that this whole thing must be on a speculative basis.

Mr. CLAYTON. No, sir; I beg your pardon, it is not. My argument is that we should not have this one single criterion for negotiation that is named in H. R. 6556.

The CHAIRMAN. You have said in response to questions by Senator Taft that you would have no standard. You say that is impractical.

Mr. CLAYTON. I would not have this standard.

The CHAIRMAN. You would not have the standard of injury because you say that cannot be anticipated.

Mr. CLAYTON. It cannot be determined.

The CHAIRMAN. It cannot be determined. Then what is there in your operational plans that can give assurance of protection against injury? If you don't have it, then I suggest you are leaving the whole thing to speculation.

Mr. CLAYTON. No, sir; I don't think we are leaving it to speculation, because we go into the matter with extreme care, Senator Millikin. We have these hearings, interested parties come and present their written briefs, they come and give oral testimony, all the information that the Tariff Commission and other agencies have about imports and exports and international trade generally is at our disposal. All of these matters are brought together and put together on the table and are considered by the interdepartmental trade agreements committee, and they act.

The CHAIRMAN. But, Mr. Clayton, they are operating against a third dimension. They do not know what you are going to do in these trade agreements.

Mr. CLAYTON. I beg your pardon. Who doesn't know?

The CHAIRMAN. The producer who appears before the panel.

Mr. CLAYTON. He doesn't have to know to present his case. He can say this: "Today I have protection of 40 percent. If you reduce that below 25 percent you are going to hurt me."

He doesn't have to know what you are considering doing. We don't know at the time we are hearing him. We don't know what we are going to do. We don't even know, Senator, until we get through with the agreement because what we do in the matter of reducing the import tariff depends on what the other party across the table is willing to do in the reduction of his tariffs on our goods. So we don't know until we really have finished the agreement.

The CHAIRMAN. I do wish, Mr. Clayton, you would eliminate the "don't know" of your procedures and buttress up your argument of what you do know. I suggest that the whole burden of your testimony so far is that you do not know what you are doing.

Mr. CLAYTON. Senator, with all due respect, I take exception to that because we do know what we are doing, and nothing that I have said here, I think, should give you the impression that we are acting

in the dark and that we don't know what we are doing. I have tried to describe the procedure. It is a very serious, very carefully made investigation, and all the factors involved are taken into account. We don't just have some casual hearings and take the thing and make up our minds regardless of the testimony. We have a very grave responsibility. There I submit to you that we have met that responsibility up to this time without injury to any single producer in 14 years' time. I think that is a record of which we have reason to be proud. I don't think it is a record that would substantiate your statement that we are operating in the dark and not knowing what we are doing.

The CHAIRMAN. Of course, Mr. Clayton, you would be the first to recognize that we have been operating in completely abnormal conditions during the existence of the trade agreements.

Mr. CLAYTON. Senator Millikin, we will probably have abnormal conditions for the rest of your lifetime and mine. I don't see any normal conditions ahead at any time soon. Those conditions are going to be so abnormal that the productive facilities of the world will hardly be equal to furnishing the people the goods that they require at reasonable prices, that they require and are able to buy. There will be some exceptions, but by and large we are going to have a period for a long time now, I think, when it will be extremely difficult for the productive facilities of the world to furnish the fast-growing population, not only in this country, but in the rest of the world, with the goods that it needs.

The CHAIRMAN. Then under your theory it will be a long time to come before there is a real test of whether reciprocal trade agreements will or will not injure domestic industry.

Mr. CLAYTON. I think we are having a test today. You speak of abnormal conditions. Perhaps what you have reference is that we have not got back to normal production in the world. I would just like to call your attention to the fact that in Europe, if you leave out Germany and Russia, industrial production is now up to prewar levels, up to 1938-39 levels, and is fast climbing above it. It is above it in England, and it is very fast getting above in the other countries.

The CHAIRMAN. Until the time comes, Mr. Clayton, that you have or approach balance of supply with demand in each of these countries, how can you test the wisdom of what has been done?

Mr. CLAYTON. Perhaps you can't.

The CHAIRMAN. Then that is another way of saying you cannot justify the wisdom of what has been done.

Mr. CLAYTON. I think we can.

The CHAIRMAN. You say in one breath we will have to wait until we reach this balance of supply and demand in each of these countries to determine the real effect. You admit that that is not the present situation. But you say that still you can demonstrate it at the present time.

Mr. CLAYTON. I think the record shows, Senator Millikin, that nobody has been hurt, and we had 4 years or 5 years of operation under the Trade Agreements Act prior to World War II. It was in a period when production in many cases greatly exceeded requirements. Supply and demand was out of balance on the supply side, and nobody

was able to show that they were injured there, and nobody has been able to show since.

The CHAIRMAN. That is not exactly my point. You cannot show injury at the present time because of the condition of the world affairs.

Mr. CLAYTON. Yes; but we had 5 years, prior to the war, of operation.

The CHAIRMAN. You had a very abnormal condition then.

Mr. CLAYTON. Abnormal in the sense that supply in most cases exceeded demand. You had an unbalanced situation on the supply side.

The CHAIRMAN. Yes.

Mr. CLAYTON. Still nobody was able to show injury from the operation of the reciprocal trade agreements program.

The CHAIRMAN. What was the extent of the agreements at that time?

Mr. CLAYTON. We had several. I can't tell you the exact number, but we started in 1934 making them, and we had several agreements in effect prior to World War II.

The CHAIRMAN. I am merely suggesting, Mr. Clayton, that you have to put some qualification on your statement that no one has been injured when you are in a period when anyone will take anything they get on the import side and where you are in a period where the productive facilities of 90 percent of the world are badly stricken.

Mr. CLAYTON. As to that last statement, Senator, I can only repeat that the productive facilities of Europe, with the exception of Germany and Russia, are now turning out as much goods as they did before the war.

The CHAIRMAN. They are completely occupied in trying to restore obsolescence, are they not?

Mr. CLAYTON. They are producing as much as before the war.

The CHAIRMAN. Yes; but they are completely occupied, so far as the output is concerned, in satisfying their domestic need.

Mr. CLAYTON. Not completely, no sir; except where—

The CHAIRMAN. Except where we, one way or another, are financing exportation.

Mr. CLAYTON. No, sir. We imported last year in the United States alone \$8,000,000,000 of goods and services and a great deal of it came from Europe.

The CHAIRMAN. That is right, and there was no impingement upon our economy because we had a great shortage condition here.

Mr. CLAYTON. That is right, in most cases.

The CHAIRMAN. Of course. The same thing is true of the rest of the world.

Mr. CLAYTON. Yes.

The CHAIRMAN. So you have a completely abnormal condition in which you can't measure what the effect of your agreements would be.

Mr. CLAYTON. I admitted it once, Senator Millikin, that we have an abnormal condition now. Of course we have. But it doesn't arise from underproduction. It doesn't come from underproduction, here or in Europe. We are producing in this country 79 to 80 percent more industrial goods by volume than we did before the war.

The CHAIRMAN. Mr. Clayton, why is the world taking our goods?

Mr. CLAYTON. I beg your pardon?

The CHAIRMAN. Why is the world taking our goods, any goods we can ship abroad?

Mr. CLAYTON. In agriculture, Senator Millikin, Europe is still much below prewar.

The CHAIRMAN. Exactly.

Mr. CLAYTON. And they need food and they need raw materials of all kinds.

The CHAIRMAN. They need everything else we are shipping, do they not?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. Of course. We are in position because of our shortage in supply market to take anything they can send us.

Mr. CLAYTON. Yes; that is right.

The CHAIRMAN. Then how can you test the wisdom of our reciprocal trade agreements?

Mr. CLAYTON. As I say, we had some test before the war. I admit freely that the condition is abnormal, but I added, and I wish to reiterate, that I think it will be abnormal for a long time to come.

The CHAIRMAN. I devoutly hope you have made wise trade agreements. I devoutly hope that, but I do not think you can demonstrate that.

Mr. CLAYTON. I think we have.

The CHAIRMAN. Until we get to the time that we really commence to balance supply with demand, not only here but elsewhere.

Mr. CLAYTON. I think we have made wise trades, and I think we must not overlook the fact—

The CHAIRMAN. If you have not, if you have sacrificed the proper safeguarding of domestic industry, when this thing really gets to working, when the world commences to bring its supply into balance with demand, you will have subjected this country to the greatest cataclysm that ever befell it.

Mr. CLAYTON. On that I respectfully disagree.

The CHAIRMAN. Oh, that certainly will happen if you have made bad judgment, will it not?

Mr. CLAYTON. No. I think that movement into action promptly under the escape clause to correct any bad judgment that has been made and prompt action will be taken. I don't think you can contemplate for a moment, Senator Millikin, that the President of the United States in the face of something that you described as a possible cataclysm, would not take prompt action to give relief to any industry that was adversely affected.

The CHAIRMAN. If that time should come—let us hope it does not come—when experience shows that your agreements are bad, we will have to take our escapes, and all over the world you will have compensating escapes, and you will have thrown world trade into demoralization.

Mr. CLAYTON. Not nearly the demoralization it was in in the summer of 1930 on up to about 1936 or 1937 because of the Smoot-Hawley tariff bill.

The CHAIRMAN. I think, Mr. Clayton, you cannot make that stick. I would just love to debate that with you.

Mr. CLAYTON. I would love it, too.

The CHAIRMAN. You had the same sickness in the world then resulting from World War I that you have in the world now, and every country was put in a position where it had to protect itself just as every country is in that position now. You have no country in this world today that has not got import duties, that has not quotas, that has not got exchange controls, for the simple reason it must protect itself while getting out of the sickness of World War II and the carry-over from World War I.

Mr. CLAYTON. Senator Millikin, I take it you don't want to debate the question now. I would love to do it somewhere else.

The CHAIRMAN. Let us go to the Town Meeting of the Air.

Mr. CLAYTON. I would just like to make this comment to you or statement to you, and that is that most of the protection that was taken following World War I was only taken after we raised our tariff three times and most of the action that was taken around the world, as, for example, the British Empire preference system, was set up following the passage of the Smoot-Hawley tariff bill.

The CHAIRMAN. I suggest to you that had there been no tariffs, had we had free trade in this country, the result would have been precisely the same, because those countries were stricken as a result of World War I and had to protect their domestic industry.

Mr. CLAYTON. Senator Millikin, nothing like the way in which they were stricken this time.

The CHAIRMAN. It is all relative.

Mr. CLAYTON. There is no comparison.

The CHAIRMAN. I would not say there was no comparison.

Mr. CLAYTON. Very little comparison, Senator Millikin.

The CHAIRMAN. You had all the financial illnesses in the world then that you have today, on a lesser scale, because the war was not as big and because as much of the resources of the world had not been exhausted, but the problem, the sickness, I respectfully suggest, was exactly the same. It called for the same protective measures then as the world is applying to itself today. You give complete recognition to that in your proposed ITO. You have your statement of principles, but you have an equal number of statements of exceptions to permit these countries to protect themselves during this transition period.

Mr. CLAYTON. Yes, and the situation today, Senator, is much, much graver than it was then.

The CHAIRMAN. I agree.

Mr. CLAYTON. And the protective measures which you mentioned following World War I were taken largely after we forced the rest of the world to do it by our action on tariff in this country.

The CHAIRMAN. I challenge the premise of that, but as I say, that is a long debate.

Senator GEORGE. May he finish his statement?

The CHAIRMAN. Mr. Clayton, I think I misinformed you gentlemen. When we set these hearings we had not yet set the time for commencing our sessions in the Senate. We are commencing at 11 o'clock today and we have a call of the calendar, so I wonder if it would greatly inconvenience you, if you have not finished, and the other people who are for or against this bill today, to come back at 3 o'clock.

Mr. CLAYTON. That is quite all right.

The CHAIRMAN. You may complete your statement.

Mr. CLAYTON. Thank you, sir.

I am advised that the agencies in question feel, and I share their feeling, that they must retain the right adequately to protect the interests within their special jurisdiction and are writing to this committee to make known their views on this point.

This disfranchisement would not be accompanied by greater but by more limited participation of the Tariff Commission in the making of trade agreements. The Commission would be removed from the Trade Agreements Committee, where it now performs unique and extremely valuable services. In performing the one function assigned to it by H. R. 6556, namely fixing rates to be recommended, the Commission's only mandate would be to consider protection to domestic producers to the exclusion of other very important factors such as the compelling need to increase imports if we are to retain foreign markets for our surplus agriculture and industrial production and get paid for them, the necessity to expand imports if we are ever to collect any part of the vast sums we are lending and investing abroad, and last, the importance of larger imports to assist in meeting the requirements of a fast-growing and prosperous population, and of an expanding domestic economy.

Worst of all, H. R. 6556, in effect, gives the Tariff Commission an exclusive veto over United States concessions which is, in effect, a veto in the interests of particular domestic producers regardless of the national welfare. The principle of protection for a few at the expense of all others, such as exporters, consumers, and importers, whose interests must be disregarded under this bill, is made the standard for national tariff making. This inequitable procedure would replace the present system under which all interests are impartially considered in deciding upon tariff modifications to be offered.

Add to these defects the provision of congressional veto and the short term for which H. R. 6556 renews the authority, and it is clear as the Secretary of State has said, that H. R. 6556 retains the shadow while destroying the substance of the trade-agreements program.

This then is where the road of pure protection leads. We have traveled that road before; we should not travel it again. It was a tragic mistake before, and the situation today differs only in that we now have more to lose and it may not take so long to lose it.

For over a hundred years before World War I, the United States was a debtor Nation. As such, we had to export more than we imported in order to service our debts to foreigners.

At the end of World War I, the United States was a creditor Nation. As such, we should have imported more than we exported in order to collect the interest on the money we had loaned and invested abroad.

But we continued to act as a debtor Nation. We insisted on trying to export more than we imported, and we raised our import tariffs three times within the first decade following World War I.

Other countries finding their sales to us greatly curtailed by this policy were compelled to raise their barriers to our goods.

In consequence, beginning in 1930, there was a great shrinkage not only in our own imports and exports but indeed in the international trade of the whole world.



No one contends that this policy of economic nationalism was the direct cause of the world's greatest depression beginning in 1930; but there is ample evidence to show that such policy had the effect of widening and deepening and prolonging that depression.

In 1934, the Reciprocal Trade Agreements Act was passed and it has been a powerful factor in bringing down tariffs all over the world.

Subsequently, as a result of World War II, the United States became a much greater creditor in the world's balance sheet than ever before. Circumstances are daily adding heavily to this position.

We must greatly expand our imports if we want to collect the interest on the money which we have loaned and invested abroad.

Because of efficient mass-production methods aided by a low unit cost of production arising from the requirements of an enormous domestic market, many kinds of goods are produced in the United States in much greater quantities than our people can consume. These surpluses of agriculture and industry must be marketed abroad.

We must greatly expand exports if we are to continue to find markets abroad for these surpluses.

Only by selling their goods to us can foreigners earn the dollars with which to buy our surplus agricultural and industrial production.

Meantime the population of the United States is increasing rapidly; the standard of living of this population is increasing even more rapidly. Our people have the buying power with which to satisfy their requirements. We need to increase our imports greatly if there is to be made available to our people the variety and kinds of goods they require at prices which they can afford to pay.

The United States now has an industrial capacity equal to that of the rest of the world. Our efficiency in production coupled with enormous volume produced gives us a unit cost which is at present lower than that of any other country in almost all the products of industry.

One wonders what we are afraid of in the United States in competing with the rest of the world.

I have something, Mr. Chairman, I would like to add to that; but I assume you would like to recess now and reconvene at 3 o'clock.

The CHAIRMAN. Yes. Thank you very much.

(Thereupon, at 11 a. m., the committee recessed, to reconvene at 3 p. m. the same day.)

#### AFTERNOON SESSION

(Whereupon, at 3 p. m., the committee reconvened, pursuant to the taking of the noon recess.)

The CHAIRMAN. The hearing will come to order.

#### STATEMENT OF WILLIAM L. CLAYTON, SPECIAL ADVISER TO THE SECRETARY OF STATE, WASHINGTON, D. C.—Resumed

The CHAIRMAN. Mr. Clayton, had you completed what you wanted to say in the main?

Mr. CLAYTON. Mr. Chairman, I have completed the prepared statement. I have some other remarks that I would like to make of a general character before going into the general questioning, if it is agreeable to you.

The CHAIRMAN. Proceed, please.

Mr. CLAYTON. I would just like to say that in all of these hearings heretofore with reference to extension of the Reciprocal Trade Agreements Act, the arguments have been pretty generally followed the same line of discussion of high protection or reasonable protection or low protection to American industry and agriculture.

I think, of course, we have to take that into account in the present hearing as in the past, but I think we also ought to give very careful consideration to some of the broader aspects of the matter which have emerged as a result of the circumstances of the last few years.

The United States has very definitely assumed leadership in the world in international economic matters. I don't need to go back to Bretton Woods, the International Bank, the International Monetary Fund, the operations of the Export-Import Bank. All those matters are pretty clear in our minds.

I would like to refer to the ECA for a few minutes, the Economic Cooperation Act. The United States took leadership in that matter as a result of Secretary Marshall's speech on June 5. There was a meeting in Paris of the 16 countries that were concerned with the matter. An organization was set up, and as a result of the investigation which that organization made, the presentation of matters to the administration here in Washington, and the presentation by the organization to the Congress, the ECA was passed.

In connection with that act, as you will recall, there was provided in the act itself, in the statute, that the bilateral agreements which the United States would make with the participating countries in Europe should include certain specific conditions. One of those conditions was that these countries should cooperate for the stimulation of the interchange of goods among themselves and between themselves and other countries and that they should cooperate for the lowering of barriers to trade among themselves and between themselves and other countries.

The Congress has very wisely recognized in that act that the recovery of western Europe waits upon a great increase in production, that you cannot have that production unless you have markets for the goods, and that markets for the goods wait upon a lowering of the barriers to trade among those countries and between those countries and the rest of the world.

So I think that this matter of extension of the reciprocal trade-agreements program at this time has gained a very great significance from the events of the last 2 or 3 years since the end of the war and from the character of the economic cooperation act itself.

We go from Paris to Geneva, and we entered into a general agreement at Geneva which was participated in by 23 countries doing over three-fourths of the international trade of the world. That agreement itself was concerned with commodities totaling in value in terms of 1938-39 trade in imports about \$10,000,000,000, which at that time was about one-half of the international trade of the world.

The United States dealt with only \$2,000,000,000 of those total imports, or one-fifth of the total. Of that \$2,000,000,000 reductions in tariff were made in respect of only about \$500,000,000 of imports on the basis of 1938 figures.

From Geneva we go to Havana where we meet with 57 other nations on the 21st of last November, and after 4 months of labor we agreed upon a charter for the international trade organization. One of the prime conditions of that charter is that the members obligate themselves to negotiate for the substantial reduction of tariffs and the elimination of preferences or discrimination between nations.

So, Mr. Chairman, I mention particularly these three events to emphasize that the United States has taken leadership in the world in this field, and the whole world is going to be watching very, very closely what we do here in reference to the extension of the Reciprocal Trade Agreements Act. They will not only be watching as to whether we extend it, but they will be watching very closely as to the manner of extension. Whether it is extended in form which will permit of a continuation of its vitality and significance and importance in international economic matters, or whether it may be extended in such way as to give the impression to the rest of the world that it is no longer regarded as an important part of the policy of the United States.

I think if we surrender this leadership, as I believe we would if we failed to extend the Reciprocal Trade Agreements Act without weakening amendment, that would be a shock to the rest of the world.

If we should surrender that leadership and leave other nations in the world each to pursue its own ideas of what it would like to do in this field for the future, I don't believe there is any doubt but that under the exigencies of the present situation almost every nation in the world would revert to a kind of autarchy or economic nationalism which, as someone has said, would make the 1920's and 1930's look like free trade.

I don't believe that kind of development would be in the interests of this country. I think distinctly it would be against the interests of this country. We cannot separate in broad national policy the conduct of international trade from domestic trade. If the nations of the world go back to conditions of autarchy and extreme economic nationalism, which in my opinion they will certainly do if they do not have leadership in the other direction, I see nothing for us to do in the United States but to go in the same direction and to put on all kinds of controls on imports and exports telling people how much they may import, from whom, and at what price, where they may export, and at what price; and so on. That detailed control which would have to be taken over our international economic affairs due to the action of other countries, would inevitably be translated into similar control, I think, over all our domestic economic affairs so that in time free enterprise would be a thing of the past.

I merely wanted to make that observation, Mr. Chairman, as my considered opinion.

**THE CHAIRMAN.** Mr. Clayton, may we come now to the bill itself. As I understand it, it would extend the act one year. What nation do you contemplate negotiating with next year?

**MR. CLAYTON.** We have very few. We have no definite plans at the moment of negotiating with any country. There are several of the smaller countries that would like to join the Geneva agreement. For example, Greece, whose exports to the United States constituted

before the war a total of about 14 or 15 percent of her total exports, although it is only less than half of 1 percent of total imports into the United States, would like, I am sure, to make an agreement with us, and there are other countries, generally small ones, who have commodities which are very important to them but which don't amount to much to us, who would like to join the Geneva agreement, and we would like to negotiate with them. We do not have in mind any major negotiations.

The CHAIRMAN. So, roughly speaking, if the act were extended a year, the time of extension would not interfere with the consummation of important trade agreements?

Mr. CLAYTON. I don't believe it would, Mr. Chairman, but I think it would give an extremely bad impression to the rest of the world. They would see a hesitation on our part which they would not understand. In view of the vigorous leadership which we have provided in the way in which I have indicated, and particularly in view of the condition which we have included in the Economic Cooperative Act, I think the rest of the world would have a kind of shock if they saw that we were seriously hesitating here as to whether we intended to go forward with this program or would let it lapse.

The CHAIRMAN. That is your principal objection?

Mr. CLAYTON. Yes, sir; to the 1-year extension.

The CHAIRMAN. Is it not a fact that the State Department for several months of this year seriously considered whether it would even press asking for an extension of the reciprocal-trade system?

Mr. CLAYTON. No, sir; I don't serious consideration was given to that, Mr. Chairman. I don't believe it ever got up to the Secretary of State. So far as I know, it never was mentioned to him. There was some talk about it in view of the fact that the charter of the International Trade Organization would probably not be presented to Congress this year, but would go over until next year. There was some talk on lower levels as to the possibility of asking for a trade-agreements act at the time that the charter was ratified, as we hope it will be, to implement that charter.

The CHAIRMAN. So excluding the Secretary of State and what may have come to him and what he may have thought, to use your own phrase, at lower levels, there was considerable opinion in the State Department that there was no point in pressing for reciprocal trade during this session.

Mr. CLAYTON. No, sir; I don't think, Mr. Chairman, that that is a proper statement of the situation.

The CHAIRMAN. Will you state it exactly?

Mr. CLAYTON. There was some discussion of the matter, but I don't think there was any serious opinion that we should fail to ask the Congress to renew the act. Whatever opinion might have been expressed in that regard, I assure you was due to a fear that the Congress might not agree to an extension. Certainly we would want an extension if we could get it.

The CHAIRMAN. I invite your attention to the fact that a good many months went by before there was any drive from the State Departments for an extension.

Mr. CLAYTON. I think the bill was introduced by Mr. Doughton.

The CHAIRMAN. It was in the President's message in January, as I recall it.

Mr. CLAYTON. January, yes.

The CHAIRMAN. I am not talking about time of introduction of the bill. I am talking about an activity of the State Department in behalf of an extension, and I am recalling to your mind that there was considerable discussion in the State Department as to whether to ask for an extension at this session.

Mr. CLAYTON. There was discussion, Mr. Chairman, that is right.

The CHAIRMAN. I mention that because it tends to put into perspective a lot of the screaming that has been going on in connection with this subject, which I do not attribute to you, that the heavens would fall if everything the State Department now wants were not immediately granted.

Mr. CLAYTON. I don't quite understand your point with reference to the drive, as you expressed, by the State Department, and delay in starting it. Do you mean before the message of the President, or subsequent?

The CHAIRMAN. Mr. Clayton, when you folks want something you have a way of letting us know over here that you want it.

Mr. CLAYTON. That is right.

The CHAIRMAN. You had your shoes heavily weighted with lead about this reciprocal trade business until quite recently. I am suggesting that was coincident with discussion in your department that perhaps you wouldn't ask for it at all.

Mr. CLAYTON. Mr. Chairman, I can assure you that it was not connected with that discussion. The President's message I think was sent to the Congress in March, which we thought was in ample time. Everybody was extremely busy with ECA. The staffs at the Department of State were working overtime night and day and Sundays on ECA. I think that the message of the President came up in March and the bill was introduced on the same day.

The CHAIRMAN. I would not dispute either of those facts. In connection with scheduling the work of this committee during the session, I had reason to make inquiries as to when ITO might be presented to Congress, and in that connection I received information of the type that I have mentioned to you.

Coming to the authority given the Tariff Commission by the bill that we have before us, as I understood your testimony this morning, you do not believe that the Commission should have such authority, either mandatory or recommendatory.

Is that correct?

Mr. CLAYTON. Not in the form in which it is stated in this bill. They already have rather similar functions to perform in the Interdepartmental Trade Agreements Committee, as you will recall, Senator Millikin. After our discussions last year about the matter, the Executive order was issued, 1932, I think it is, which provided that the Tariff Commission should make certain investigations with respect to every commodity that it was intended to negotiate on and that those investigations should be made public. That is done today.

The CHAIRMAN. You objected this morning on the ground that the standard under which the Tariff Commission would operate would

be too narrow, and we had a lot of discussion on that. For a moment at least unless you want to go into it, we will pass it. You object to limiting the standard of judgment in this bill to injury to domestic producers:

Mr. CLAYTON. I objected on two grounds.

The CHAIRMAN. I was only stating one of them. Go ahead and state them both.

Mr. CLAYTON. One was that the whole matter should be turned over to the Tariff Commission and all other agencies of government now concerned in the matter should be excluded from any right to vote in connection with the recommendations. That is the first ground.

The second one is the criterion that is stated in the bill that this whole matter which has such broad implications and which affect so much different interests in our country, should be pitched on one single, narrow scale which is protection to domestic industries.

The CHAIRMAN. I think you have made that quite clear. Now let me ask you if that part of the bill were amended so that in effect the President would notify the Tariff Commission when he intends to enter into a trade agreement or negotiate a trade agreement, and they were called upon to certify to the President the range of the concession or reduction which could be entered into, keeping in mind the safeguarding of American industry, and if after receiving those recommendations the President proceeded with his negotiation, and let us assume that he chose to disregard the recommendations and made cuts or concessions and bindings deeper than those recommended and he were then required, after agreement had been negotiated, to state publicly his reasons for doing so, would that sort of bill be agreeable to you?

I am speaking in general terms. You understand exactly what I am talking about, because we have discussed it many times.

Mr. CLAYTON. Yes, sir; we have. I don't think it would be agreeable to me, Mr. Chairman, if I understand correctly that you would have a Tariff Commission Act under pretty much the same kind of instruction that they have in this H. R. 6556.

The CHAIRMAN. What part of the instruction would be offensive to you?

Mr. CLAYTON. The one standard on which they operate. If we would take, instead, the standard which is stated in the Executive order, which, with your permission, I would like to read, it is just one paragraph.

The CHAIRMAN. Go ahead, please.

Mr. CLAYTON. I think there is no objection whatsoever to the operation of the Tariff Commission in the way in which the Executive order now indicates, but I believe that always the Tariff Commission should report to the Interdepartmental Trade Agreements Committee and that the Committee should be the body which would make the recommendation to the President.

The CHAIRMAN. As we pointed out this morning, there would be nothing to prevent that by way of Executive order.

Mr. CLAYTON. That is right. From my point of view, if this entire Executive order, which I think is an excellent document setting out in detail the procedure that is followed under the Trade Agreements

Act, if that entire Executive order were incorporated into the statute, it would be entirely agreeable to me. I would like to read the one paragraph. I am reading now from Executive order of February 25, 1947, and it is paragraph 6 of part 2:

With respect to each dutiable import item which is considered by the Interdepartmental Committee for inclusion in a trade agreement, the Tariff Commission shall make an analysis of the facts relative to the production, trade, and consumption of the article involved, to the probable effect of granting a concession thereon, and to the competitive factors involved. Such an analysis shall be submitted in digest form to the Interdepartmental Committee. The digest, excepting confidential material, shall be published by the Tariff Commission.

There is a good deal of difference there between this language "to the probable effect of granting a concession thereon," and the language contained in H. R. 6556.

The CHAIRMAN. Now I am suggesting something else to you. I have not followed the language in this bill. I suggest to you that if the Tariff Commission had authority to recommend, let us call them the peril points, below which the President should not make cuts or concessions, and it were provided that if the President decided to cut deeper or, if you wish, raise above a range established by the Tariff Commission, he should make public explanation of the fact after the agreement had been negotiated, what would be your objection to that, remembering that the President by Executive order can set up his own interdepartmental organization to give him advice on the subject?

Mr. CLAYTON. My objection would be that it is assumed that the Tariff Commission and any other commission will have the omniscience to be able to ferret out that peril point, as you describe it, below which nobody should go, and I don't think the Tariff Commission has that ability or anybody else, any individual or any commission.

The CHAIRMAN. Let us assume that it might miss it occasionally, let us assume if you wish it might miss it often, the President could still avail himself of the advice of any interdepartmental committee set up by himself. He could disregard the recommendations of the Tariff Commission. And if he did, he certainly ought to be willing to make public explanation of why he did so.

Mr. CLAYTON. Mr. Chairman, the Tariff Commission now in effect makes that kind of study and that kind of report to the Interdepartmental Committee.

The CHAIRMAN. Except that it doesn't make the recommendation according to the information that I have from the Tariff Commission.

Mr. CLAYTON. They make recommendation as to the probable effect of granting a concession.

The CHAIRMAN. Yes.

Mr. CLAYTON. They do that, and they do it to the Interdepartmental Trade Agreements Committee. I would like to make this point clear.

The CHAIRMAN. Just for the sake of clarification, they do not say, "We believe that it would be perilous or injurious if you went below this point." They do not say that.

Mr. CLAYTON. They say in effect that when they agree with the other members of the Interdepartmental Trade Agreements Committee to recommend a reduction in the tariff on a certain commodity, to a certain figure. The assumption is that you can go that far without the probability of causing any serious injury to any American producer.

The CHAIRMAN. You are talking about the decision of an inter-

departmental committee, of which the representative of the Tariff Commission is only one, and who does not sit there as representing the Tariff Commission, but sits there as an individual.

Mr. CLAYTON. He sits there as a Commissioner of the Tariff Commission.

The CHAIRMAN. The same as the Secretary of Agriculture sits there as Secretary of Agriculture.

Mr. CLAYTON. And also, Mr. Chairman, I would like to make this clear, that if the Interdepartmental Committee takes a decision to which the Tariff Commissioner dissents, the Commissioner must make the reasons for his dissent known to the President, and the President would act in the light of those reasons.

The CHAIRMAN. Now let us come back to our knitting. What, then, in what you have said, would be the objection to an amendment here that would give the Tariff Commission the right to recommend directly to the President the line above which the negotiations shall not go and below which they should not fall. Let the President appoint any advisory board he wants in order to give him advice on the subject. What would be the objection?

Mr. CLAYTON. The objection is the assumption, to begin with, that the Tariff Commission know that sort of thing, with any certainty that they are right, make a minimum point and a maximum point within which the negotiations should take place. I just don't believe the Tariff Commission or any other commission can do that. I think if they are charged with the responsibility of doing it, they are going to lean over backward to make sure that they make the rate high enough. Of course, Mr. Chairman, there is only one way to follow that injunction and to be sure you are going to be right, and that is to put an embargo on the imports of the particular commodity in question. Then you can be sure that domestic industries will not be injured.

The CHAIRMAN. I do not think you are driven to that, Mr. Clayton. I do not think you are driven to that any more than you are driven to that on your theory that by putting seven heads together, all of them using unscientific judgment, they can't hit it, either, and hence we should put an embargo on everything.

Mr. CLAYTON. Just take this for example: Suppose you have in question a concession to be made on an agricultural commodity. Why should we assume that the Tariff Commission is better qualified to make a recommendation on that subject than the Department of Agriculture.

The CHAIRMAN. It is very simple. The Department of Agriculture is not charged with studying the economic implications all the way across the board, such as the Tariff Commission would be.

Mr. CLAYTON. They know a great deal more about agriculture to start with.

The CHAIRMAN. I suggest the second reason is that the Department of Agriculture does not maintain a department for this investigation purpose, and I suggest as a third reason that they should not, any more than all the other departments should. And the Tariff Commission would be at perfect liberty to utilize the services of the Department of Agriculture on any subject where it felt it needed additional advice.



I could think of several others if there were time.

Mr. CLAYTON. The Department of Agriculture would not have a vote, however. They would not have a right to vote on the question of a recommendation to the President on a matter that vitally affects the agricultural interests of the country.

The CHAIRMAN. They did not have a vote on this bill, and they did not have a vote on the Reciprocal Trade Act.

Mr. CLAYTON. That is right. And national defense and National Military Establishment ought to have a right to a vote when a question is on the table that would affect the security of the country.

The CHAIRMAN. The end point is that you are defending the existing system, and you would find that sort of amendment of this bill to be unacceptable to you.

Mr. CLAYTON. Yes, sir; I would not be agreeable to an amendment of that kind. As I have said, so far as I am concerned, I would recommend to the Department that we accept the inclusion of this entire Executive order in the statute if that would give a sense of greater protection to the people who are worried about the handling of the matter.

The CHAIRMAN. The objection in a word about the interdepartmental procedure is that you dilute the protection to the American people.

Mr. CLAYTON. I contend, Mr. Chairman, that nobody can tell. You say injury to an American industry. I must insist that the only way you can be absolutely sure you are not going to injure a little some American industry by competition from abroad is not to have the competition. That is the only way I know of.

The CHAIRMAN. I must insist, if you do not mind, that your seven heads of your Interdepartmental Committee or whatever the number may be, if the Tariff Commission cannot find it, they cannot find it.

Mr. CLAYTON. They don't try to find it.

The CHAIRMAN. If that be true, then you are subjecting the safety of the American economy to hazard and speculation and chance-taking.

Mr. CLAYTON. I think you are subjecting the safety of the American people and economy if you do as this bill says, which is to have the Tariff Commission fix a rate below which you cannot go without danger of injury to some American producer. If they are going to do that and always operate on the safe side, so to speak, of complete protection to American industry from foreign competition, you are going to destroy a great many of the export industries of the country and put a lot of people out of work.

The CHAIRMAN. There is no suggestion, and let us get it very clear that there is no suggestion here of complete protection in the sense of barring everything out of this country. That does not appear in the bill. It does not appear in any argument that I have heard, and it should not be tossed into this discussion. You are simply expressing an intention to prevent injury which does not bar competition.

Mr. CLAYTON. It says, Mr. Chairman: "In order to carry out the purpose of such section 350 without causing or threatening serious injury to domestic producers."

The CHAIRMAN. That is right.

That does not mean the exclusion of all competition. The President himself has used that language, and he did not contemplate eliminating all competition.

Mr. CLAYTON. If you are going absolutely to guarantee against any injury to an American producer, the only way to do it is to free him of the competition.

The CHAIRMAN. I do not think that follows at all, any more than it does by your system. Competition is not incompatible with a going business.

Mr. CLAYTON. We seem to think it is when it is foreign competition.

The CHAIRMAN. There is nothing of that kind in this bill.

Mr. CLAYTON. That is what it means.

The CHAIRMAN. You are putting that in the bill?

Mr. CLAYTON. I am sorry, but that is what it means.

The CHAIRMAN. It does not mean that. You cannot find anything in here that indicates that we must eliminate competition in order to prevent serious injury to American industry.

Mr. CLAYTON. I didn't say, Mr. Chairman, that there was. I only said that if the Tariff Commission charged with this duty or any other commission or any other individual charged with this duty wants to guarantee that their decisions will be such as to prevent serious injury to the domestic producers, then they have to put on either exorbitant tariffs or an embargo.

The CHAIRMAN. You might have to resolve the doubt in favor of the American producer, and you could make some argument for that.

Mr. CLAYTON. Of course, as we all know, mostly protectionists want just that. They want a quota system or an embargo which will prevent foreign competition.

The CHAIRMAN. There is no suggestion of a quota system here.

Mr. CLAYTON. I didn't say that.

The CHAIRMAN. There is no suggestion of complete protection here. There is just the President's own suggestion that American industry be not injured, and that is compatible with competition.

I am just trying to keep these issues within their proper focus.

Mr. CLAYTON. I still stick by my proposition that if you want to guarantee that this injunction is carried out, the only way to do it is to prevent the competition which might cause the injury.

The CHAIRMAN. Every argument that you make for your own proposition would lead you to that same conclusion, because you have no sure way of doing it.

Mr. CLAYTON. We don't profess to have.

The CHAIRMAN. Unless you are arguing for a looser way to do it, unless you are arguing for impairment of that standard or for dilution of it, you come to the same end point under your line of argument.

Mr. CLAYTON. We don't profess to have any sure way of finding it, Mr. Chairman. We don't attempt to find it with absolute certainty, because we know we can't. But what we do say is that if there are those cases where we take some calculated risks in order to achieve an over-all desideratum, and we find we are wrong, we have a protection here in the escape clause, so the mistake, if it occurs can be corrected.

The CHAIRMAN. We have gone through the escape clause business, and I think the record will show whether that really affords any protection. Now as to the third feature of the bill. In the event

the President disregards the recommendation of the Tariff Commission, the matter shall be submitted to the review of Congress. You admitted this morning that Congress has exclusive constitutional jurisdiction over the subject.

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. And that no one else has any unless it is delegated by the Congress.

Mr. CLAYTON. I think that is right. I am not a constitutional lawyer, but I understand that is the case.

The CHAIRMAN. I think you are very sound on that. I am not charging you with public discussion, but there has been a lot of public discussion that to do that would throw you back into logrolling. Is it not the fact that under the bill the trade agreement would have to be voted up or down without swapping individual items in it?

Mr. CLAYTON. Yes. Under the bill the entire agreement would have to be vetoed under the bill and not individual items.

The CHAIRMAN. The Congress could not piecemeal it, could it?

Mr. CLAYTON. Not as to individual items.

The CHAIRMAN. Exactly; and that is the essence of logrolling, is it not?

Mr. CLAYTON. Yes; but the element of logrolling is still possible here because if we make an agreement with the country, say with country A, and the principal item is commodity X, the producers of commodity X in this country may say, "All right, you will need our help when you get to the agreement with country B because you are going to have commodity Y in that. So you had better come along and help us now, and veto this thing."

The CHAIRMAN. What a weak reed that would be to lean on considering that with the exception of these picayunish exceptions mentioned, you have covered the world trade with the existing agreements.

Mr. CLAYTON. I am sorry I did not understand you.

The CHAIRMAN. You have covered the world's trade, with the exception of the picayunish agreements which you have mentioned, in existing trade agreements, so what kind of knucklehead would it be who sat here today and said, "I am going to vote for this trade agreement if tomorrow, which would never come, you will help me on some other trade agreement that I may or may not like."

Mr. CLAYTON. I don't know whether you know it or not, Mr. Chairman, but there is a bill in Congress right now, H. R. 6379, to cancel all those trade agreements.

The CHAIRMAN. I am not surprised at anything that happens around here. That does not make it a law, Mr. Clayton.

Mr. CLAYTON. I understand it doesn't make it law, but—

The CHAIRMAN. Mr. Clayton, all I am trying to ask you now, all this hulabaloo about logrolling is entirely unwarranted as far as the provisions of this bill are concerned as a practical matter, is it not?

Mr. CLAYTON. I will answer you this way. I want to be perfectly fair with you. This bill provides that the act of veto by Congress must be as regards the entire agreement.

The CHAIRMAN. That is right.

Did you bring that minute book that we were discussing this morning?

Mr. CLAYTON. No; I did not, Mr. Chairman. The records of the Interdepartmental Trade Agreements Committee are extremely voluminous. It would take, I suppose, a couple of trucks to get them up here.

The CHAIRMAN. The minutes or the records?

Mr. CLAYTON. The records.

The CHAIRMAN. I am speaking of the minutes.

Mr. CLAYTON. I don't know whether there are any detailed minutes on each commodity.

The CHAIRMAN. Do you not have a secretariat to keep track of what goes on at these meetings?

Mr. CLAYTON. I am not a member of this committee.

The CHAIRMAN. Is there anyone here who knows whether there is a secretary who keeps track of what goes on in the Interdepartmental Committee?

Mr. BROWN. Yes, sir; there are minutes, but they are tied into the supporting documents.

The CHAIRMAN. Yes? Could we see the minutes? And then we can use our judgment whether we want to see the supporting documents.

Mr. CLAYTON. I am informed that it is the policy of the Department to decline to make any of these minutes or records public for two principal reasons. The first one is that they are records of advisers to the President and are confidential, just as records of his Cabinet meetings would be confidential.

The second one is that they have considerable confidential material in them running all through the records which business interests furnished on the understanding that the material would be kept confidential because it is private information that they do not wish their competitors to see. We get a great deal of information of that kind, in connection with consideration of these different commodities and in making recommendations to the President.

The CHAIRMAN. You understand that the Tariff Commission under existing laws is required to report directly to the House Ways and Means Committee and directly to this committee?

Mr. CLAYTON. I don't know that for a fact, but I know it is if you say it is, Mr. Chairman.

The CHAIRMAN. I say it is a fact. Now that we have delegated a portion of that jurisdiction to the executive department, you are saying we are denied information on what goes on in the Interdepartmental committee?

Mr. CLAYTON. Not certainly the digests of the Tariff Commission.

The CHAIRMAN. I have them in my possession. I am not talking about that.

Mr. CLAYTON. I am not authorized, Mr. Chairman, to make these records public. They are considered confidential records of the administration, as I have said, and I regret that I am not thereby authorized to make them public.

The CHAIRMAN. Will the minute book be available to the clerk of this committee?

Mr. CLAYTON. I don't think so, Mr. Chairman.

The CHAIRMAN. Would the minute book be available to the chairman of this committee?

Mr. CLAYTON. I am not authorized to make it available, but if you wish me to so request, I will be glad to present the matter and let you know.

The CHAIRMAN. We have a very direct jurisdiction over these matters.

Mr. CLAYTON. Mr. Chairman, we must bear in mind that all of this information is information collected for what purpose? For the purpose of advising the President and recommending to the President. The President is responsible to you under the Trade Agreements Act for his actions. I don't know that he would be required to make public the information that is furnished him on which he makes his decisions.

The CHAIRMAN. I would like to point out to you that there may be a distinction between when Congress asks something which is within the constitutional jurisdiction of the executive department and where something is requested which is clearly in the jurisdiction and direction of the Congress.

Mr. CLAYTON. You may be right.

The CHAIRMAN. I wonder whether you have considered this matter completely enough. When the Congress is denied the opportunity to inspect the development of these matters on which the President exercises his authority, you are laying down a very serious policy.

Mr. CLAYTON. You will observe, Mr. Chairman, that I have not said that I am not going to make the information available to you. I have said only that I am not authorized to do so. Before I could do it, I would have to have that authorization.

The CHAIRMAN. Will you pursue the matter further?

Mr. CLAYTON. I will be glad to do so, sir.

(The following letter was later submitted by Mr. Clayton with reference to the above:)

DEPARTMENT OF STATE,  
Washington, May 5, 1948.

Hon. EUGENE MILLIKIN,  
*Chairman, Senate Committee on Finance.*

DEAR SENATOR MILLIKIN: I have taken up again with the Department your request that the minutes of the Trade Agreements Committee be made available to the Committee on Finance. The Department has considered this matter further, and directs me to say, with regret, that it considers that it would not be in the public interest to comply with your request, for the following main reasons.

1. The minutes in question contain information obtained from business in confidence and upon the assurance that it would not be disclosed.

2. They contain information which, if known to other countries, might prejudice the position of the United States in future negotiations and which might embarrass this country in its relations with countries with which the negotiations to which the minutes refer took place.

3. The minutes are the records of the deliberations of the President's advisers. The President is the one responsible for decisions on tariffs under the act, and is entitled to the opinions of his advisers expressed fully and freely without the constraint which would inevitably come from the knowledge that they might be made public.

The Department would not feel authorized to make these records available to the Congress without the consent of the President.

Yours very truly,

(Signed) William L. Clayton,  
(Typed) WILLIAM L' CLAYTON,  
*Special Adviser to the Secretary of State.*

(Dictated by Mr. Clayton, who had to leave before signing.)

Senator BUTLER. Mr. Chairman, I think Mr. Clayton may possibly have put in the record this morning the members of the Interdepartmental Committee, not the personnel, but who makes up the Interdepartmental Committee by departments.

I wonder if it would be agreeable to submit also a list of the personnel?

Mr. CLAYTON. Yes, sir; we will do that. We will put it in the record.

(The information follows:)

#### TRADE AGREEMENTS COMMITTEE

Department of State: Winthrop G. Brown, chairman.

Department of the Treasury: Frank A. Southard, Jr.; Morris J. Fields, alternate.

Department of Agriculture: Vacancy; G. B. L. Arner, alternate; Robert Schwenger, alternate.

Department of Commerce: John Evans; H. P. MacGowan, alternate.

Department of Labor: Vacancy; Philip Arnow, alternate.

National Military Establishment: Prentice Dean; Morris Kenny, alternate.

United States Tariff Commission: Oscar B. Ryder; Lynn Edminster, alternate; John Gregg, alternate.

#### COMMITTEE FOR RECIPROCITY INFORMATION

Lynn R. Edminster, Chairman, Tariff Commission.

John Gregg, Vice Chairman, Tariff Commission.

Winthrop G. Brown, Department of State.

George B. L. Arner, Department of Agriculture.

John W. Evans, Department of Commerce.

Harold P. MacGowan (alternate), Department of Commerce.

John W. Gunter, Department of Treasury.

Morris J. Fields (alternate), Department of Treasury.

Morris Kenny, National Military Establishment.

Commander Royal Firman (alternate), National Military Establishment.

Lt. Col. Robert E. Shafer (alternate), National Military Establishment.

Edward A. Yardley, executive secretary.

Senator LUCAS. Mr. Chairman, I think it would be well if you stated in little more comprehensive terms what you want of the State Department.

The CHAIRMAN. We went into that while you were temporarily absent, sir. What we would like to see is the minute book of the proceedings of the Interdepartmental Committee in these trade agreement matters. Mr. Clayton has said that the minute book ties into a great volume of basic data leading, I assume, to any conclusions made by that committee, and I have suggested that perhaps if we saw the minute book we might not want to go further.

Senator LUCAS. I presume your position is that if we have the power to see the minute book, we also have the power to see the records upon which the minute book is based.

The CHAIRMAN. I would not want to say that at this stage. I am very eager to preserve the proper jurisdiction of the Presidency. I do not want to make an off-the-cuff decision without having the facts.

Senator LUCAS. I think it is of tremendous importance and we are getting into a very close and highly controversial question in my judgment in doing as the chairman suggests.

Mr. CLAYTON. Mr. Chairman, at the present time may I say I have two letters here, one from the Secretary of Commerce, and the other from the Acting Secretary of Agriculture with reference to the point

which has been made that the six departments of Government which have been excluded by H. R. 6556 from voting in matters of recommendation to the President in the Trade Agreement Act take exception to that and are writing letters to you to point out the reason for their exception. One of these letters is directed to you, and the original has been handed to the clerk of the committee.

The other one is directed to me. With your permission, I would like to read them both into the record.

The CHAIRMAN. Let us read them into the record.

Mr. CLAYTON. The one directed to you by the Secretary of Commerce is as follows:

DEPARTMENT OF COMMERCE,  
OFFICE OF THE SECRETARY,  
Washington, June 1, 1948.

Hon. EUGENE D. MILLIKIN,  
*United States Senate, Washington, D. C.*

DEAR SENATOR MILLIKIN: The Department of Commerce has responsibilities for the promotion of both the foreign commerce of the United States and its domestic commerce and industry. Therefore, I consider it my responsibility to place before the Senate Finance Committee my judgment concerning the proposed trade agreements legislation, based on the experience of the Department of Commerce with the operation of the existing legislation.

Both the general responsibility of the Department of Commerce for the welfare of American business and the provisions of the Trade Agreements Act itself require that this Department play an important role in the formulation of all recommendations under the act. In the preparatory work for trade agreement negotiation, the Department of Commerce has a representative on each country committee and on the Trade Agreements Committee. These representatives make use of the knowledge of our country specialists and our commodity specialists, who in turn have the advantage of continuous contact with representatives of industry.

The Department of Commerce is also represented on the interagency Committee for Reciprocity Information and on each of the hearing panels established by the committee. Our active participation in these hearings has permitted the Department, with its specialized knowledge, to aid in developing all pertinent information. The hearings have, in turn, added to the information available to this Department—information of value not only in determining its position with respect to individual tariffs but also in the discharge of its other responsibilities.

In our opinion, this procedure has worked well and has permitted the Department of Commerce to carry out its responsibilities to American business and the American economy, but we are convinced that the proposed changes in the Trade Agreements Act would handicap us in our efforts to do so in the future. This will be true if the recommendations of the Trade Agreements Committee are to be subordinated to the views of the Tariff Commission. For American business has just as vital an interest in its access to foreign markets or the cost of imported raw materials as in the level of tariff protection against imports.

Similarly, the contribution that the Department of Commerce and other agencies can make the determination of the pertinent facts through public hearings will be lost if the functions of the Committee for Reciprocity Information are either abolished or subordinated to hearings by the Tariff Commission.

It is also the opinion of this Department that the isolation of the Tariff Commission from the existing interagency organization would seriously impair the usefulness of that organization. Department of Commerce representatives have obtained a great deal of value from the discussions in the Trade Agreements Committee and its country subcommittees and would miss the contribution of the experts of the Tariff Commission in the formulation of their own views. It is our opinion that every agency in the present trade agreements organization has a valuable contribution to make and that the decisions reached are sounder when the knowledge of all is pooled.

We also believe that the proposals for amending the Trade Agreements Act may have an adverse effect on the commercial policies of friendly foreign countries. We are convinced that some countries will be less willing to enter

into negotiations, or will be less likely to offer concessions of value to the United States, if the resulting agreements are subject to veto. And we fear that any radical changes in the act, or a renewal for only 1 year, will create doubt in foreign countries as to this country's determination to carry out the liberal trade policies that it has urged upon those countries since the war and that it has recently reaffirmed in the European recovery legislation.

Sincerely yours,

CHARLES SAWYER, *Secretary of Commerce.*

The other letter is from the Acting Secretary of Agriculture and is directed to me:

DEPARTMENT OF AGRICULTURE,  
*Washington, D. C.*

HON. WILLIAM L. CLAYTON,  
*Department of State, Washington, D. C.*

DEAR MR. CLAYTON: At your appearance before the Committee on Finance of the Senate in connection with legislation for the extension of the President's authority to negotiate reciprocal trade agreements, I would appreciate your expressing to the committee our concern at certain features of the bill (H. R. 6556) sent to the Senate by the House of Representatives.

I refer in particular to the transfer to the Tariff Commission, acting alone, of a major part of the responsibility for the interests of agriculture in the Trade Agreements program and to the establishment of a cumbersome and difficult procedure.

It must be apparent that it is contrary to the interest of United States agriculture to divide the responsibility for that interest among different Government agencies. This is particularly the case if exclusive responsibility for a basic portion of that interest is to be transferred to an agency which must at the same time take the exclusive responsibility for the corresponding portion of the interests of other segments of our economy. The legislation under consideration would give to the Tariff Commission the exclusive responsibility for determining the maximum concessions to be made in United States duties, including duties on agricultural products.

I should like to point out two particularly unfortunate consequences of this situation. In the first place, the maximum concession set by the Tariff Commission will tend to be the concession offered. Should this Department hold that a given concession permitted by the Tariff Commission was not in the interest of United States agriculture, our position in interdepartmental discussions of the matter would be very weak. There would be a presumption on the part of the other departments of the Government that the Tariff Commission had already assured Agriculture sufficient protection in connection with the particular commodity. In the second place, the Tariff Commission, which would be based under the legislation in question from any contact with the negotiating process, will have no opportunity to judge whether the benefits that are to be obtained in foreign markets in return for a given concession could be of an order calculated to justify the concession. There is a connection between the benefits received and the concessions offered, since the same agricultural producers can often be associated with both foreign tariff concessions on a United States export and United States concessions on a product not produced in the United States in sufficient quantities for domestic consumption.

We feel strongly, therefore, that the interest of agriculture will be more difficult to assure under the proposed legislation than under the present Reciprocal Trade Agreements Act.

You are, of course, particularly well qualified to discuss with the Committee on Finance the procedural difficulties which would be encountered under the terms of the legislation under reference. I know you will emphasize that any amendments which will increase such difficulties are of concern to this Department because, as I indicated in my statement before the House of Representatives' committee on this matter, we recognize the extent to which they will tend to impair the leadership of the United States in international economic matters, and therefore, the nondiscriminatory, multilateral trade objectives of the reciprocal trade agreements program.

Sincerely yours,

CHARLES F. BRANNAN, *Assistant Secretary.*

The CHAIRMAN. I think from both those letters it is apparent that the Tariff Commission could avail itself and would avail itself and



fully of any service those departments could render due to their special jurisdictions, and I am sure the President by Executive order could bring about that cooperation. I also am sure the President himself would not deny himself of it.

Mr. CLAYTON. I am sure that everything you say is true, but in the final analysis under this bill these agencies would have no voice in making the decision.

Senator BUTLER. They now have, Mr. Clayton?

Mr. CLAYTON. Yes, sir; certainly they do. If the decision is not unanimous with respect to a recommendation to the President, the department dissenting from the majority opinion must give the reasons for its dissent to the President, and they do that.

The CHAIRMAN. Mr. Clayton, I think it should be made very clear that the head of the Tariff Commission, for example, sits and participates in arriving at this composite judgment. He does not carry through, let us say, dissents on the Tariff Commission. He is not required to. The dissents of the Tariff Commission may never come to the attention of the interdepartmental committee.

Mr. CLAYTON. His dissent does.

The CHAIRMAN. His dissent as an individual, the same as the dissents around here, but his dissent might not agree with the Commission's view, nor might it agree with a dissent on the Commission.

Mr. CLAYTON. The Commission makes an investigation, Mr. Chairman, and a digest of its investigation and furnishes that to the interdepartmental committee and expresses an opinion as to the probable effect of a concession.

The CHAIRMAN. That is right.

Mr. CLAYTON. I take it that the Tariff Commissioner would not go contrary to that action.

The CHAIRMAN. Let me make myself clear; the Commissioner does not sit there if he is there, necessarily battling for the view of the Tariff Commission, nor does he sit there charged with bringing through to the interdepartmental committee any dissent that there may be in the Tariff Commission. He sits there the same as the other members do in this process of reaching a composite judgment.

Mr. CLAYTON. I think he represents the Tariff Commission.

The CHAIRMAN. Of course, just the same as the Secretary of Agriculture.

Mr. CLAYTON. Indeed.

The CHAIRMAN. But I am pressing the point that he is not required to carry through the opinion of the Tariff Commission as such as to any of these actions taken.

Mr. CLAYTON. I don't think that the Tariff Commission as such expresses any opinion except in the way in which I have indicated and which is provided for in the Executive order. I take it that the Commissioner himself would not take a course contrary to that expressed in that document.

The CHAIRMAN. He would be at full liberty to do so if he chose to do so.

Mr. CLAYTON. I don't know, Mr. Chairman, whether he would or not.

The CHAIRMAN. I went into that subject rather carefully a year ago, and I could find no reason why not.

Mr. CLAYTON. I don't know whether he would or not.

The CHAIRMAN. Mr. Clayton, would you mind making clear what are the standards which control the decisions of the interdepartmental committees?

Mr. CLAYTON. The act under which they operate, I think, is perhaps the best authority, and that act says—

\* \* \* for the purpose of expanding foreign markets for the products of the United States by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production, so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets, by affording corresponding market opportunities for foreign products in the United States.

The CHAIRMAN. That does not require the application of the injury rule, does it?

Mr. CLAYTON. Not by express language, certainly; no sir, it does not.

The CHAIRMAN. We have not yet received the ITO charter.

Mr. CLAYTON. No, sir. You mean the Congress? No, the Congress has not. It hasn't been presented to Congress yet.

The CHAIRMAN. A year ago we asked you for and received a list of some 80 men who went to Geneva.

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. We have received their biographies.

Mr. CLAYTON. Yes, sir; I believe so.

The CHAIRMAN. From that list and those biographies, it appeared that, with the exception of yourself there was not an outstanding businessman on the list, nor was there anyone on the list of the men who negotiated these agreements at Geneva who ever had had bargaining experience of any importance in private industry.

Mr. CLAYTON. I have not studied the list from that point of view, Mr. Chairman.

The CHAIRMAN. Mr. Stanley, would you mind digging that out and inserting it in the record at this point, the list of those who went and their biographies?

(The information referred to follows:)

DEPARTMENT OF STATE RELEASE FOR THE PRESS, No. 181, MARCH 11, 1947

The Department of State today announced the list of the United States delegation to the second meeting at Geneva of the United Nations Preparatory Committee for the International Conference on Trade and Employment.

William L. Clayton, Under Secretary for Economic Affairs, will be chairman of the delegation; and Clair Wilcox, Director, Office of International Trade Policy of the Department of State, will be vice chairman.

At the Geneva meeting, opening April 10, the 18 participating nations will undertake to complete the draft of a charter establishing common principles of world trade policy and setting up an International Trade Organization. They will also negotiate toward the reduction of tariffs, the removal of other barriers to trade, and the elimination of discriminatory trade practices.

There are 85 officials from 9 departments and agencies of the Government on the delegation list and, in addition, the secretariat accompanying the delegation will number 40.

The list follows:

Chairman: William L. Clayton, Under Secretary for Economic Affairs, Department of State.

**Vice Chairman:** Clair Wilcox, Director, Office of International Trade Policy, Department of State.

**Delegates:**

- Winthrop G. Brown, Chief, Division of Commercial Policy, Department of State.
- John W. Evans, Trade Barriers Policy Adviser, Department of Commerce.
- Harry C. Hawkins, Minister-Counselor for Economic Affairs, American Embassy, London, England.
- William R. Johnson, Commissioner, Bureau of Customs, United States Treasury Department.
- John H. G. Pierson, Consultant on Employment Policy, Department of Labor.
- Oscar B. Ryder, Chairman, Tariff Commission, United States Tariff Commission.
- Leslie A. Wheeler, Director of Foreign Agricultural Relations, Department of Agriculture.

**Alternate delegates:**

- E. Dana Durand, United States Tariff Commissioner, United States Tariff Commission.
- John W. Gunter, United States Treasury Representative, American Embassy, London, England.
- Robert B. Schwenger, Special Assistant to the Director, Office of Foreign Agricultural Relations, Department of Agriculture.

**Advisers:**

- George B. L. Arner, Economist, Department of Agriculture.
- George Bronz, Assistant to the General Counsel, United States Treasury Department.
- Sol Luis Descartes, Member, Planning, Urbanizing and Zoning Board, Insular Government of Puerto Rico.
- John A. Hopkins, Office of Foreign Agricultural Relations, Acting Head, Latin-American Division, Department of Agriculture.
- Einar Jensen, Agricultural Attaché, American Legation, Bern, Switzerland.
- Paul Kaplowitz, Assistant General Counsel, United States Tariff Commission.
- Edmund H. Kellogg, Specialist, Division of International Organization Affairs, Department of State.
- Donald D. Kennedy, Chief, International Resources Division, Department of State.
- Sidney J. Kennedy, United States Treasury Attaché, American Embassy, London, England.
- Norris G. Kenny, Economic Analyst, War Department.
- John M. Leddy, Adviser on General Commercial Policy, Department of State.
- Fred A. Motz, Agriculture Adviser, American Legation, Vienna, Austria.
- Harold Neff, Special Assistant to the Under Secretary of War, War Department.
- Montell E. Ogdon, Chief, United Kingdom and Canada Section, Department of Agriculture.
- Robert P. Terrill, Associate Chief, International Resources Division, Department of State.
- W. B. Thorp, Captain, Chief, Services Division, Army and Navy Munitions Board.

**Tariff Negotiating Teams:**

1. United Kingdom: Wilson T. M. Beale (Head), Assistant Chief, Division of Commercial Policy, Department of State; Don C. Bliss, Commercial Attaché, American Embassy, London, England; Loyle A. Morrison, Chief, Economics Division, United States Tariff Commission; Cromwell A. Riches, Chief, United Kingdom Section, Department of Commerce; Joe Adams Robinson, Country Specialist, Division of Commercial Policy, Department of State.
2. Canada: Homer S. Fox (Head), Commercial Attaché, American Embassy, Ottawa, Canada; Winifred R. Maroney, Chief, Canadian Section, Department of Commerce; Constant Southworth, Country Specialist, Division of Commercial Policy, Department of State; Carl J. Whelan, Principal Economist, United States Tariff Commission.

3. Southern dominions: Robert M. Carr (Head), Adviser, Division of Commercial Policy, Department of State; Carl E. Christopherson, Chief, Southern Hemisphere Section, British Commonwealth Division, Department of Commerce; Kathleen Molesworth, Second Secretary and Consul, American Embassy, London, England; Wentworth W. Pierce, Senior Economist, United States Tariff Commission.
4. India: Edwin G. Moline (Head), Country Specialist, Division of Commercial Policy, Department of State; David Lynch, Principal Economist, United States Tariff Commission; Joseph S. Sparks, Vice Consul, Karachi, India; Carlton L. Wood, Chief, Asiatic-Pacific Section, Department of Commerce.
5. France: Dan Reagan (Head), Commercial Attaché, American Legation, Bern, Switzerland; Philip M. Copp, Assistant Chief, European Division, Department of Commerce; Mary G. Crain, Research Assistant, Division of Commercial Policy, Department of State; Willard W. Kane, Commodity Specialist, United States Tariff Commission; H. Arnold Quirin, Country Specialist, Division of Commercial Policy, Department of State.
6. Belgium and Holland: William A. Fowler (Head), Adviser to the United States Representative (ECOSOC), Department of State; Julian Arnold, Jr., Country Specialist, Division of Commercial Policy, Department of State; Prentice N. Dean, Principal Economist, United States Tariff Commission; Robert P. Donogh, Economic Analyst, Department of Commerce.
7. China and Lebanon: Merrill C. Gay (Head), Assistant Chief, Division of Commercial Policy, Department of State; Charles N. Henning, Senior Economic Analyst, Department of Commerce; David Lynch, Principal Economist, United States Tariff Commission; John F. Shaw, Division of Commercial Policy, Department of State.
8. Czechoslovakia: Vernon L. Phelps (Head), Adviser on European Commercial Affairs, Department of State; Howard F. Barker, Chief, Accounting Division, United States Tariff Commission; Arley T. Caudill, Economic Analyst, Department of Commerce; Robert Bruce Wright, Country Specialist, Division of Commercial Policy, Department of State.
9. Brazil and Chile: Du Wayne G. Clark (Head), Commercial Attaché, American Embassy, Rio de Janeiro, Brazil; William F. Gray, Country Specialist, Division of Commercial Policy, Department of State; Allyn Campbell Loosley, Principal Economist, United States Tariff Commission; Anthony J. Poirier, Specialist, Tariff and Trade Agreements, Department of Commerce.
10. Cuba: Albert F. Nufer (Head), Counselor of Embassy for Economic Affairs, American Embassy, Habana, Cuba; Amelia H. Hood, Mrs., Divisional Assistant, Division of Commercial Policy, Department of State; Anthony B. Kenkel, Economist, United States Tariff Commission; Albert John Powers, Chief, Caribbean Section, Department of Commerce.
11. Norway: Norman Burns (Head), Adviser, Division of Commercial Policy, Department of State; Louis S. Ballif, Chief, Technical Service, United States Tariff Commission; Harold P. Macgowan, Adviser, Trade Agreement Policy, Department of Commerce; Robert Bruce Wright, Country Specialist, Division of Commercial Policy, Department of State.

**Commodity Specialists:**

- J. Mark Albertson, Chief, Ceramic Division, United States Tariff Commission.  
 W. A. Graham Clark, Chief, Textile Division, United States Tariff Commission.  
 Rollin Cragg, Assistant Chief, Chemical Division, United States Tariff Commission.  
 Oscar A. Juve, Chief, Agriculture Division, United States Tariff Commission.  
 F. Morton Leonard, Chief, Metals Division, United States Tariff Commission.  
 Walter L. Sanders, Jr., Principal Commodity Specialist, United States Tariff Commission.  
 John H. Shannon, Senior Economic Analyst, Department of Commerce.

Press officer: Roger W. Tubby, Press Officer, Department of State.  
 Information liaison officer: Margaret R. T. Carter, Acting Chief, Division of Public Liaison, Department of State.  
 Technical secretary: J. Robert Schaetzel, Special Assistant to the Director, Office of International Trade Policy, Department of State.  
 Executive secretary: Basil Capella, Division of International Conferences, Department of State.

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BIORGRAPHIES OF MEMBERS OF DELEGATION TO THE GENEVA CONFERENCE

**WILLIAM L. CLAYTON**: b. near Tupelo, Miss., Feb. 7, 1880; deputy clk. and master, Chancery Court, Jackson, Tenn., 1893-95; court reporter; secretary 1895-96; sec. to v. pres. and gen. mgr., invoice clk., asst. treasurer, treasurer, and asst. gen. mgr. for cotton company 1896-1904; partner in cotton company 1904-18; mem., Comm. on Cotton Distribution, War Industries Bd., 1918; chm. of bd. of cotton company 1918-40; adviser, Office of Coordinator of Inter-Am. Affairs, Aug.-Oct. 1940; deputy Fed. loan administrator 1940-42; asst. sec. of com. 1942-44; surplus war-property administrator Feb.-Dec. 1944; U. S. del., United Nations Conf. on Food and Agri., Hot Springs, Va., 1943; app. asst. sec. of state Dec. 20, 1944; mem., Secretary's Staff Comm., Dec. 20, 1944; adviser, U. S. del., Inter-Am. Conf. on Problems of War and Peace, Mexico City, 1945; U. S. mem. of the Council, United Nations Relief and Rehabilitation Admin., 1945-47; chm. of Exec. Comm. on Econ. Foreign Policy Jan. 25, 1945; adviser to U. S. del., Berlin Conf., 1945; mem., Bd. of For. Ser. Personnel, 1945-; Under Secretary of State for Econ. Affairs, Aug. 19, 1946.

**CLAIR WILCOX**: b. Cuba, N. Y., Jan. 29, 1898; Coudersport (Pa.) High Sch. grad.; U. of Pa., B. S. 1919, Ph. D. 1927; Ohio State U., M. A. 1922; instr. in econ., Lafayette Coll., 1919-20; asst. prof. of econ., Ohio Wesleyan U., 1920-23; instr. in econ., U. of Pa., 1923-26; exec. sec., Pa. State Parole Comm., 1926-27; asst. prof. of econ. 1927-29, assoc. prof. 1929-31, prof. 1931-, Swarthmore Coll.; contribution editor to newspaper 1930-35; dir. of research, Nat. Comm. on Law Observance and Enforcement, 1930-31; adviser, mem. of general code authority and advisory council, and dir. of code admin. studies, Nat. Recovery Admin., 1934-35; principal consulting economist, Social Security Bd., 1936-37; econ. expert, Temp. Nat. Econ. Comm., 1939-40; consultant, Nat. Resources Planning Bd., Oct.-Dec. 1941; price exec. in iron and steel branch and dir. of Industrial Materials Div., Office of Price Admin., 1942-43; chm., Conf. on Price Research, Nat. Bu. of Econ. Research, 1944-45; on editorial staff of magazine July-Oct, 1944; app. consultant in the Dept. of State Feb. 16, 1945; dir., Office of Int. Trade Policy, June 29, 1945; chm. first meeting of Preparatory Comm. for the International Conf. on Trade and Employment.

**WINTHROP G. BROWN**: b. Seal Harbor, Maine, July 12, 1907; St. Paul's Sch. grad.; Yale, B. A. 1929, LL. B. 1932; mem. of bar of N. Y.; law clk. 1932-38, mem. 1938-41 of legal firm; atty., Lend-Lease Admin., June-Nov. 1941; exec. officer Harriman Mission and Mission for Econ. Affairs, London, 1941-45; app. chief, Div. of Cml. Policy, Dept. of State, July 26, 1945; chm., Trade Agreements Comm. 1945-; mem., Comm. for Reciprocity Information, 1945-.

**JOHN W. EVANS**: born in New York City in 1904; received Ph. B. at Yale University in 1927 and M. A. at New York University in 1940. Business experience: Publicity assistant, Henry L. Doherty & Co., New York, N. Y., Sept. 1927 to Dec. 1929, wrote magazine and newspaper articles about oil and public utility properties; Vice President, Units Service Inc., New York, N. Y., Jan. 1930 to Sept. 1930, in charge of hiring, instructing, and managing security salesmen; education of salesmen, Standard Statistics Co., New York, N. Y., Jan. 1931 to Jan. 1941, market research editor of house organ, in charge of bank relations, economist on Latin America. Government experience: Economic specialist on Latin America, Department of State, Aug. 1941 to Jan. 1942; in charge of economic research for procurement and other policy determinations in South America, Board of Economic Warfare, Washington, D. C., Jan. 1942 to July 1942; chief economist for Metals and Minerals Division, aiding in formulation of economic policies relating to procurement, Foreign Economic Administration, Washington, D. C., July 1942 to Feb. 1944; participated in policy determination

and direction of procurement of raw materials abroad, including trips to foreign countries for direction of field activities and negotiation of purchase agreements with foreign governments, etc., Foreign Economic Administration, Feb. 1944 to Jan. 1946; Commerce Department member of the inter-agency Trade Agreements Committee and the Committee for Reciprocity Information, Department of Commerce, Jan. 1946 to present.

**HAWKINS, HARRY C.**; b. Reed City, Mich., Mar. 25, 1894; Reed City High Sch.; Olivet Coll., A. B. 1917; Harvard, M. B. A. 1921; U. S. Army 1917-19, 1st Lt., overseas service; special agt., Dept. of Cob., 1921-22; asst. prof., U. of Va., 1922-23; drafting officer, Dept. of State, 1924, 1927-30; app. For. Ser. officer unclass. and v. c. of career Oct. 16, 1924; to the Dept. Nov. 11, 1924; resigned Sept. 15, 1925; prof., U. of Oreg., 1925-27, 1930-31; app. divisional asset. at \$5,600 in the Dept. of State Aug. 12, 1931; tech. adviser, Int. Monetary and Econ. Conf., London, 1933; asst. chief, Div. of Trade Agreements, May 27, 1935; at \$6,500 Mar. 1, 1936; chief at \$8,000 Aug. 1, 1936; chief, Div. of Cml. Treaties and Agreements July 1, 1940; mem., Comm. for Reciprocity Information, 1941-44; chief, Div. of Cml. Policy and Agreements, October 8, 1941; U. S. participant, 1st Int. Wheat Meeting, Washington, 1941; mem., Bd. of Econ. Operations, Oct. 8, 1941-June 24, 1943; at \$8,250 Oct. 1, 1941; alt. mem., Inter-Am. Financial and Econ. Advisory Comm., 1942-44; dir., Office of Econ. Affairs, Jan. 15, 1944; at \$8,500 Apr. 1, 1944; v. chm., Exec. Comm. on Econ. For. Policy, June 30-Sept. 11, 1944; adviser to U. S. del., Conversations on Petroleum, U. S. and United Kingdom, Washington, July 1944; For. Ser. officer of clas two, cons. gen., and sec. in the Diplo. Ser. Sept. 9, 1944; couns. of emb. for econ. affairs at London Sept. 12, 1944, with the rank of minister Jan. 27, 1945; member, U. S. del. Anglo-American Financial Agreement; alt. chairman, U. S. del. 1st Mtg. of Prep. Comm. for Int'l. Conference on Trade and Employment.

**WILLIAM R. JOHNSON**; date of birth, March 18, 1896; place of birth, near Kersey, Colorado; marital status, married; two children. Education: 1925, B. Sc. from New York University; 1935, LL. B. from George Washington University. Employment: August 1917 to June 1918, U. S. Army, World War I; January 1920 to October 1930, clerk, liquidator, office of collector of customs, New York, N. Y.; October 1930 to October 1936, attorney in Bureau of Customs; October 1936 to March 1939, chief counsel, Bureau of Customs; March 1939 to July 1940, Acting Deputy Commissioner of Customs; July 1940 to date, Commissioner of Customs, Bureau of Customs. Foreign service: June 1938, special mission to Goteborg and Stockholm, Sweden, on official business; October 1946, delegate to first meeting of the Preparatory Committee for the International Conference on Trade and Employment, London, England.

**JOHN H. G. PRERSON**; b. New York, N. Y., Mar. 28, 1906; B. A. Yale U., 1927; Ph. D. Yale U., 1938; teacher St. Bernard's Prep. Sch., N. Y., 1928-29; spec. asst. to v. pres. utilities co. N. Y., 1929-33; instructor Yale U., 1933-38; Sterling Research Fellow, 1938-39; assoc. dir., Inst. for Applied Social Analysis, sponsorship of Columbia U., 1939-40; Post War Labor Problems Div., Bu. of Labor Statistics, Dept. of Labor, 1941; app. chief, 1943-44; consultant for Bu. of Labor Statistics on post war employment policy, 1944-46; mem. Am. Economic Assn.; Exec. Comm. on Econ. For. Policy, 1945-; For. Invest. Policy Comm.; delegate to London Meeting of Prep. Comm. of Int. Conf. on Trade and Employment, Oct. 1946; econ. adviser to asst. sec. of Labor, Jan. 1947-; adviser to U. S. member on UN Econ. and Employment Commn., Jan. 1947; U. S. govt. del. to Petroleum Indus. Comm. of ILO, Los Angeles, Feb. 1947; published Full Employment, 1941; articles on full employment policy; Full Employment and Free Enterprise, 1947.

**OSCAR B. RYDER**, Chairman, U. S. Tariff Commission; date of birth, February 9, 1885; birthplace, Pamlico County, N. C. Education: B. A., M. A., Richmond College; A. M., Harvard University. Service with Tariff Commission: 28 years, as commodity specialist (textiles), 1919-25; economist, 1925-33; Commissioner, 1934 to present. Other service: N. R. A., 1 year as Chief of Imports Division, 1933-34; Division of Planning and Statistics of the Shipping Board and War Trade Board, 1918-19.

**LESLIE ALLEN WHEELER**; b. Dec. 20, 1899 at Ventura, Iowa; A. B., Pomona Coll. (Calif.) 1921; M. B. A. Harvard, 1923; special agent, U. S. Dept. of Comm., 1923-26; agri. econ. and chief of For. Agr. Ser., Bu. of Agri. Economics, Dept. of Agri., 1926-39; dir. of Office of For. Agricultural Relations, July 1939; mem. Bd. of Trustees, Export-Import Bk. of Washington; chm. Int. Wheat Council; chm.

Int. Cotton Advisory Comm.; mem. Am. Farm Econ. Assn. Club: Cosmos (Washington, D. C.). Contributor articles on int. trade in agri. products to journals; dpty. del. from U. S., For. Agri. Organization conf., Copenhagen, Denmark, 1946.

**E. DANA DURAND**, Commissioner, U. S. Tariff Commission; date of birth, October 18, 1871; birthplace, Romeo, Michigan. Education: A. B. Oberlin College; Ph. D., Cornell University. Service with Tariff Commission; 16 years as chief economist, 1930-35; Commissioner, 1935 to present. Other service: 22 years in Government. Served as Director of the Census, and held posts with the Federal Food Administration, the Bureau of Foreign and Domestic Commerce, and Commerce Department's division of statistical research.

**JOHN WADSWORTH GUNTER**; date of birth, February 17, 1914; place of birth, Sanford, Lee County, N. C.; marital status, married; two children. Education: 1935, B. S. from University of North Carolina; 1939, M. A. from University of North Carolina; 1942, Ph. D. from University of North Carolina. Employment: July 1935 to December 1936, actuarial clerk with Pilot Life Insurance Co., Greensboro, N. C.; December 1936 to September 1938, statistical supervisor and administrative assistant with North Carolina State Employment Service, Raleigh, N. C.; September 1938 to December 1940, graduate assistant and instructor, Department of Economics, University of North Carolina, Chapel Hill, N. C.; December 1940 to May 1946, economic analyst, Division of Monetary Research, Treasury Department, Washington, D. C.; May 1946 to date, U. S. Treasury representative, Division of Monetary Research, Treasury Department, Washington, D. C.; post of duty, London, England. Foreign service: June 1943 assigned to Ankara, Turkey as financial attaché; services available to Office of Strategic Services; February 1944 transferred to Cairo, Egypt, to assist on technical mission to Ethiopia and other areas; November 1944 recalled to Washington, D. C., for consultation and reassignment; April 1946 assigned to London, England, as U. S. Treasury representative; August 1946 as member of western European team of United Nations Subcommittee on Devastated Areas visited Paris, Brussels, The Hague, and returned to London. Publications: Manuscripts at Library of University of North Carolina, The Measurements of the Cost of Living, Factor Analysis of Commodity Price Variations.

**ROBERT B. SCHWENGER**; date of birth, February 27, 1906; place of birth, Fort Wayne, Ind. Education: U. of Wisconsin, B. A., in economics, 1928; graduate Institute of International Studies, Geneva, Switzerland; fellowship in International Relations, 1930-32; U. of Chicago, fellowship in International Economic Relations, 1932-33. Highlights of past experience: Member of the Office of Foreign Agricultural Relations and predecessor organizations, U. S. Department of Agriculture, 1934 to date; Deputy Executive Officer for the U. S., Combined Food Board 1932-33; asst. sec., Comm. on Int. Econ. and Soc. Cooperation, UN Conf. on Int. Organization, San Francisco, 1945; Sec., Fifth Meeting, Int. Cotton Advisory Comm., Washington, D. C., 1946; Adviser to U. S. Delegate to the Int. Wool Conversations, London, 1946 and 1947; Del. to the Prep. Comm. for the Int. Conf. on Trade and Employment, First Session, London, 1946; Alt. Del. to the Prep. Comm. for the Int. Conf. on Trade and Employment, Second Session to be held in Geneva, Switzerland, beginning April 1947; Adviser to the U. S. Del., Prep. Comm. of the FAO, Washington, 1946-47; Alt. adviser for the Dept. of Agri. to the U. S. mem., ECOSOC, UN, 1946 to date; alt. mem. for the Dept. of Agri., U. S. interdepartmental Exec. Comm. on Econ. For. Policy; mem. for the Dept. of Agri., interdepartmental Comm. on Trade Barriers; alt. mem. for the Dept., interdepartmental Comm. on Trade Agreements.

**GEORGE B. L. ARNER**; date of birth: October 5, 1883; place of birth: Jefferson, Ohio. Education: Baldwin-Wallace College, B. L. 1904; Columbia University A. M. 1906; Ph. D. 1908; Chicago School of Civics and Philanthropy, summer of 1908; University of Chicago, summer of 1909. Experience: Instructor at Princeton University, 1908-09; instructor at Dartmouth College, 1909-11; research and newspaper work, 1911-14; statistician, Ohio State Board of Health, 1914-16; statistician, Rockefeller Foundation, 1916-17; statistician, Marine Insurance, 1917-18; statistician War Camp Community Service, 1918-20; economic research, New York City, 1920-22; statistician, Bureau of Agricultural Economics, U. S. Department of Agric., 1922-27; statistician, Pennsylvania Dept. of Health, 1927-30; population analyst, Bureau of Census, 1930-33; economist, Agricultural Adjustment Adm., 1933-36; economist, Surplus Marketing Adm., 1936-40; economist, Office of Foreign Agricultural Relations, Dept. of Agriculture, 1940 to

present; present position, head, United Kingdom and Dominions Division, Regional Investigations Branch. Committee assignments: Member of the Trade Agreements Committee as second member for the Department of Agriculture or as alternate for the Director since 1937; member of the Committee for Reciprocity Information; member of the Advisory Committee on Foreign Trade Classifications; member of the Committee on Inter-American Economic Policy; chairman of Panel C at the recent Trade Agreement hearings.

**BRONZ, GEORGE**; date of birth: July 7, 1910; place of birth: New York, N. Y.; marital status: married. Education: College of City of New York, 1928-29 B. S. (cum laude); Columbia Law School, New York City, 1929-32 LL. B. (law review); bar, New York, 1933. Employment: Prior to Treasury, 1930-33, Columbia Law School, New York City, research assistant; 1933-35, National Recovery Administration, attorney; 1935-39, Resettlement Administration and Agriculture Department, attorney; 1939-43, Interior Department, Office of the Bituminous Coal Consumers Counsel, chief legal advisor; Treasury, August 24, 1943, to present, now special assistant to General Counsel. P-7, \$9,077.25 per annum. Foreign service or international conferences: Special mission to Siam, March-April 1946; Participated first session of the Preparatory Committee of the United Nations Conference on Trade and Employment, London, October-November 1946. Publications: None.

**DESCARTES, SOL LUIS**; b. Aug. 1911. Graduated from U. of Puerto Rico in 1932, B. S. in Agricultural Economics at Cornell in 1934; instructor at University of Puerto Rico 1934-35; then went to Agricultural Experiment Station at Puerto Rico; returned to Columbia in 1938-39 for graduate work; director of Office of Statistics for the Government of Puerto Rico from 1940 to 1944; from 1944 to 1945 in Army; 1945 to present, member of Puerto Rico Planning Board.

**JOHN ABLE HOPKINS**; date of birth: April 4, 1897; place of birth: Newark, Delaware; education: B. S., U. of Delaware, 1917; M. A., Harvard U., 1921; Ph. D., Harvard U., 1924. High lights of past experience: Teaching and research in agricultural economics at Iowa State College, Ames, September 1921 to March 1944 (except for two periods of leave noted below);<sup>1</sup> Agricultural Adviser at American Embassy, Bogota, Colombia, March 1944 to October 1945; Principal Agricultural Economist and Head of Latin American Division in the Office of Foreign Agricultural Relations, United States Department of Agriculture, October 1945 to present time; Secretary, U. S. Section, Mexican-United States Agricultural Commission; visited Mexico in this capacity in December 1945; Member of Caribbean Research Council; and member of Research Committee on Agriculture, Nutrition, Fisheries and Forestry, both operating under the Caribbean Commission.

**JENSEN, EINAR**; b. Copenhagen, Denmark, Jan. 3, 1896; naturalized; Royal Agri. Coll., U. of Copenhagen; U. of Wis.; U. of Minn.; Harvard, Ph. D.; gen. mgr. of agri. laboratories, Copenhagen; lecturer, U. of Alberta; agri. economist, Agri. Adjustment Admin., 1933-34; analyst, Bd. of Econ. Warfare; int. commodity specialist, Dept. of Agri.; agri. economist, United Nations Interim Commn. on Food and Agri., 1944-45; app. agri. att. in the For. Ser. Auxiliary and assigned at Bern Aug 14, 1945.

**PAUL KAPLOWITZ**, Assistant General Counsel, U. S. Tariff Commission; date of birth, May 1, 1906; birthplace, Atlantic City, N. J. Education: LL.B., Washington College of Law; member of the Bar of the District of Columbia, and the U. S. Court of Customs and Patent Appeals. Service with Tariff Commission: 8 years, as attorney (1939-43); Assistant General Counsel (1943 to present).

**EDMUND HALSEY KELLOGG**; b. Morristown, N. J., Mar. 8, 1912; Groton Sch. grad.; U. of Dijon, summer 1932; Princeton, A.B. 1934; Harvard, LL.B. 1937; mem. of bar of N. Y.; assoc. in law firm 1937-41; app. divisional asst. in Dept. of State Nov. 10, 1941; furlough for mil. ser. June 1942-July 1944; specialist, Div. of Interntl. Organization Affairs.

**DONALD D. KENNEDY**; b. Lewistown, Pa., June 9, 1900; Schenley High Sch. grad.; U. of Pittsburgh, B. S. 1920, M. A. 1922; U. of Pa., Ph. D. 1928; Sch. of

<sup>1</sup> Economist in charge of agricultural division of a study of technological changes in agriculture and their relation to labor requirements, under auspices of the National Research Project of W. P. A., June 1936 to November 1938.

Served as Economist on industrial survey of Argentina, under Armour Research Foundation of Chicago, March 1942 to December 1942.



Int. Relations, Geneva, summer 1934; U. S. Army 1918; instr., U. of Pa. 1924-26, U. of Pittsburgh 1926-30; prof. Clarkson Coll. 1930-37, U. of Newark 1937-42; price exec., Office of Price Admin., 1942-44; asst. gen. mgr. of steel company 1944-45; app. chief, International Resources Div., Dept. of State, May 31, 1945.

SIDNEY J. KENNEDY; date of birth, September 27, 1895; place of birth, New York, N. Y.; marital status, married; no children. Education: 8 years common; 4 years high school; 2 years correspondence course in law, La Salle Extension University. Employment: 1914-1916, newspaper work, New York City; 1916-1917, electrical work, New York City; 1917-1918, clerk, War Department, Washington, D. C.; 1918 to late 1919, U. S. Army; 1919 to October 1920, clerk, War Department, Washington, D. C.; October 1920 to June 1924, clerk, office of Collector of Customs, New York City; June 1924 to June 1929, liquidator, office of Collector of Customs, New York City; June 1929 to December 1930, customs agent, New York City; December 1930 to December 1933; assistant collector and collector of customs, San Juan, Puerto Rico; December 1933 to December 1936, customs agent, making port examinations, post of duty, Washington, D. C.; December 1936 to January 1941, Treasury Attaché, London, England; February 1941 to September 1943, customs liaison officer, post of duty, Washington, D. C.; October 1943 to August 1945, Treasury Representative in Charge, Mexico City, Mexico; August 1945 to date, Supervising Treasury Attaché, present post of duty, London, England. Foreign Service: December 1936 appointed Treasury Attaché, London, England; February 1941 recalled on account of war; October 1943 appointed Treasury Representative in Charge, Mexico City, Mexico; August 1945 appointed Supervising Treasury Attaché, London, England. Languages: French and Spanish.

NORRIS G. KENNY; b. in Mich.; B. S. U. of Neb., 1923; teacher in Neb. and Missouri, 1923-28; M. A. in econ. U. of Neb.; Ph. D. American U., Washington, D. C.; tech. expert, Comm. on Interstate and For. Commerce, House of Rep., 1930; tech. expert and economist, U. S. Tariff Commn., 1931-41; author of iron and steel surveys, reviewer and editor of several thousand Summaries of Tariff Information; maj. and lt. col., asst. chief, Materials Div., Office of Under Sec. of War, Deputy Chief, Conservation Branch, Production Div., Hdqrs., Army Service Forces, 1941-45; Army Industrial Coll., 1945; research and instructor, Industrial Coll. of the Armed Forces, June 1946.

JOHN M. LEDDY; b. Chicago, Ill., June 29, 1914; Ida M. Fisher High Sch. (Miami Beach, Fla.), grad.; Georgetown, B. S. (For. Ser.) 1941; asst. chief, Div. of Economic Information, Pan Am. Union, 1937-41; app. divisional asst. in Dept. of State July 25, 1941; asst. adviser on cml. policy July 6, 1945; adviser on gen. cml. policy, Div. of Cml. Policy, Aug. 3, 1945; U. S. rep. on Interim Drafting Comm. of UN, 1947.

MOTZ, FREDERICK ALLEN; b. Crookston, Minn., Sept. 12, 1893; Rock Island (Ill.) High Sch. grad.; Oregon State Coll., B. S. 1917; Va. Polytech. Inst., M. S. 1929; extension horticulturist and Prof. of horticulture, Va. Polytech. Inst., 1917-29; prin. marketing specialist and agri. commr., 1929-39, int. commodity specialist and chief of horticulture branch, 1942-45, Dept. of Agri.; app. agri. adviser in the For. Ser. Auxiliary and assigned to office of U. S. political adviser on Austrian affairs, Commanding Gen., U. S. Army Forces, Mediterranean theater, Dec. 28, 1944.

HAROLD HOPKINS NEFF; b. Harrisonburg, Va., Oct. 8, 1891; B. S., M. A., LL. B., U. of Va.; U. of Marburg, Germany, U. of Caen, France, 1912-13; 2nd Lt. U. S. Army Tank Corps, A. E. F., 1917-19; practiced law in N. Y. C., 1921-24; Prof. of Int. Law U. of Va., 1924-26; practiced law in Paris, France, 1926-30; represented Am. interests in Europe during liquidation of Kreuger companies 1932; spec. adviser to Dept. of State on resumption of trade with Russia, 1933; dir. of Export-Import Bk., 1933-35; dir. of Forms and Regulations Div., SEC, 1934-38; European Rep. and For. Expert for SEC, 1939-40; spec. asst. to Under Sec. of War, 1941-; War Dept. rep. on Policy Comm. of Bd. of Econ. Warfare, 1942-43; mem. Exec. Comm. for Econ. For. Policy, Trade Agreements Comm., Comm. for Reciprocity Information; awarded Exceptional Civilian Service Award March, 1946; mem. Am. Bar Assn.; Am. Society of Int. Law, Phi Beta Kappa, Sigma Chi; contributed various articles in Law Journals and Periodicals.

MONTELL OGDEN; Date of birth, August 15, 1902; place of birth, Douglas County, Illinois. Education: A. B. University of Illinois, 1925; A. M., Columbia

University, Ph. D., Columbia University, Internl. law and relations; Carnegie Fellow in International Law. Highlights of past experience: Research Assistant, College of Agriculture, University of Illinois, 1927-28; Associate Professor, Texas Technological College, 1929-37; Professor of Government, Texas Technological College, 1937-39; Professorial Lecturer in Foreign Commerce, George Washington University, Washington, D. C., 1946-47; Economist, Senior Analyst in International Relations, In Charge of Foreign Trade Policies and Programs Section, and In Charge of United Kingdom and Canada Section, Office of Foreign Agricultural Relations, U. S. Department of Agriculture, Washington, D. C., 1939-47; Member Interdepartmental Committees on Trade Agreements since 1941; Member International Joint Food Committee of Combined Food Board which went to England and Canada and prepared report on food supply levels in United States, Canada, and United Kingdom, 1943; Representative U. S. Department of Agriculture on Committee on Reciprocity Information Panel, January-February, 1947.

ROBERT P. TERRILL; b. Hastings, Nebr., Apr. 8, 1908; Santa Monica (Calif.) High Sch. grad.; Mercersberg Acad. grad.; Stanford U., A. B. 1931, M. A. 1933, Ph. D. 1936; instr. in econ., Stanford U., 1935-37; asst. prof. of econ., Reed Coll. 1937-42, U. of Calif. summer 1941; divisional asst. Dept. of State 1942-44, act. asst. chief, Commodities Div. 1944; asst. chief, 1945; Associate Chief, International Resources Division, Oct. 20, 1946.

CAPTAIN WAKEMAN B. THORP; b. Hyde Park, Vt., June 11, 1901; grad. Lamolille Central Academy High Sch.; Norwich U., North Field, Vt., 1916-1917; grad. U. S. Naval Academy, 1917-1921; U. S. S. UTAH in Turret Divisions, 1921-23; grad. Submarine School, New London, Conn., Jan.-Apr. 1924; Executive Officer and Commanding Officer of Submarine U. S. S. R-14, 1924-1928; Commanding Officer of Eagle 19 and shore duty at Boston Navy Yard, 1928-1930; Gunnery Officer, Executive Officer and tem. Commanding Officer, U. S. S. V-5, 1930-33; head of Submarine Dept. and instr. at Submarine School, New London, Conn., 1933-35; 1st Lt. of U. S. S. OMAHA, 1935-38; grad. Army Industrial Coll., 1939; War Plans Div. of Bu. of Ships, 1939-40; navigator, U. S. S. HOUSTON, 1940-Sept. 1941; Operations Officer, Submarine, Asiatic Fleet; Chief of Staff, Base Force, Asiatic Fleet; Planning and Asst. Operations Officer, Submarines, Southwest Pacific, Sept. 1941-Sept. 1942; Commanding Officer, U. S. S. GRIFFIN; Acting Commander, Submarine Squadron 12, Sept. 1942-June, 1944; Chief of Staff, Submarines, Atlantic Fleet, 1944-1945; Commanding Officer, New London Group, 16th Fleet, 1945-1946; Navy Chief of the Services Div., Army and Navy Munitions Board, Oct. 1946-; mem. of Trade Agreements Comm., Comm. for Reciprocity Information, Comm. on Conservation of Natural Resources, State-War-Navy Coordinating Comm.-314, General Planning Group, Navy Dept.

WILSON T. M. BEALE, JR.; b. July 22, 1909; Princeton, A. B. 1931; U. of Pa., M. B. A. 1933; Penfield Scholarship in Diplomacy, International Affairs and Belles Lettres, 1933-35; London School of Economics and Political Science; grad. U. of Pa. 1935-36, 1940-41; econ. U. S. Tariff Comm. 1936-40, 1941-42; att. Am Embs. London, Dec. 1937-Feb. 1938 adviser on U. S.-U. K. trade and tariffs; intelligence officer, Coord. of Information, 1942; U. S. Naval Reserve 1942-45; Adviser on Br. Commonwealth and Empire Commercial Affairs, Dept. of State, 1946; asst. chief of Col. Policy Div.

BLISS, DON CARROLL, JR.; b. Northville, Mich., July 3, 1897; Montclair (N. J.) High Sch. grad.; Dartmouth, A. B. 1918; Amos Tuck Sch. of Admin. and Finance, M. C. S. 1920; U. S. Naval Reserve Force 1917-19; bank student and clk. 1920-23; clk. to cml. att. at Tokyo 1923-24; asst. trade commr. at Bombay 1924-26; at Batavia Sept.-Dec. 1926; at Alexandria Jan.-April 1927; asst. chief, For. Ser. Div., Bu. of For. and Dom. Com., 1927-28; app. trade commr. at Singapore Jan. 16, 1928; at Batavia Oct. 1, 1928; at Singapore Apr. 1, 1929; also cml. att. at Bangkok Nov. 18, 1929; cml. att. at Prague Feb. 4, 1932; to Bu. of For. and Dom. Com. Jan. 1, 1934; act. cml. att. at The Hague July 1, 1934; at Athens, temp., Aug. 15, 1935; at Cairo, temp., Apr. 1, 1936; trade commr. at Paris, temp., June 1, 1936; trade commr. at Calcutta Dec. 1, 1938; For. Ser. officer of class four July 1, 1939; cons. and sec. in the Diplo. Ser. Nov. 16, 1939; cons. at Calcutta Dec. 29, 1939; at London Apr. 7, 1941 (canceled); act. cml. att. at London July 7, 1941; class three Aug. 16, 1941; cml. att. at London Apr. 15, 1943; class two Nov. 16, 1943.

**LOYLE A. MORRISON**, Chief, Economics Division, U. S. Tariff Commission; date of birth, March 16, 1895; birthplace, Ardoch, N. D. Education: B. A., M. A., University of British Columbia; Ph. D., University of California. Service with Tariff Commission: 12½ years, as economist (1934-37); assistant chief of Economics Division (1937-41); adviser on Nontariff Trade Barriers (1941-43); Chief of Economics Division (1943 to present). Alternate member on Joint Economic Committee, U. S.-Canada; U. S. Executive Secretary of the U. S.-Canadian Materials Coordinating Committee; Economic adviser to U. N. Committee. Service in World War I.

**CROMWELL A. RICHES**, Chief, United Kingdom Section, British Commonwealth Division; born, Portland, Oregon, November 26, 1903. Education: Reed College 1921-25, A. B., 1925; Columbia University, 1925-26 (A. M., 1926; Johns Hopkins University, 1930-33, Ph. D., 1933; London School of Economics, 1936-37, as Carnegie Fellow. Experience, Government and Professional: Instructor, Assistant Professor, Associate Professor of Political Science, successively, Goucher College, 1927-42; Economic Analyst, British Empire Unit, Bureau of Foreign and Domestic Commerce, Dept. of Commerce, January, 1942-Mar. 1943; Fiscal Analyst, Bureau of Budget, Mar. 1943-Oct. 1945<sup>1</sup>; Chief, Middle East Section, Brit. Commonwealth Divis., Bur. of For. and Dom. Com., Oct. 1945-May, 1946; Chief, U. K. Section, Office of International Trade, Dept. of Commerce, May 1946-present. Military Service: Lt., U. S. Navy, Apr. 1943-Oct. 1945; atten. Navy School of Mil. Gov. and Administra., Columbia U., July 1943-Febr. 1944; Navy Memb. of Planning Com. European Adv. Commis., London, Mar. 1944-Aug. 1945; received Navy Commendation Award from Admiral Harold R. Stark, Aug. 1945. Foreign Residence and Travel: England, May, 1936-Sept. 1937, while studying at London School of Economics; France, Switzerland, Germany, Netherlands, briefly, in 1936; England, Feb. 1944-Aug. 1945, while in military service. Publications: *The Unanimity Rule and the League of Nations*, Johns Hopkins Press, 1933; *Majority Rule in International Organization*, Johns Hopkins Press, 1940; articles and reviews on economic and political subjects in *Foreign Commerce Weekly*, *American Political Science Review*, *Annals* and in various other professional journals.

**ROBINSON, JOE ADAMS**; b. Union, S. C., April 2, 1912; Rock Hill High School, Rock Hill, S. C., 1931; Univ. of Oklahoma, B. S. 1935; George Washington University, Ph. D. 1945; accountant, General Mills, Inc., 1935; accountant, Home Owners Loan Corporation, 1935-38; examiner-auditor, Federal Home Loan Bank Board, 1938-41; economist, U. S. Tariff Commission, 1941-42; Lt. Comdr., USNR, 1942-46; economic and political reporting on Latin America, Navy Department, January-October 1946; country specialist, Dept. of State, 1946; married.

**FOX, HOMER SHERMAN**; b. Manistique, Mich., Dec. 31, 1893; Cen. Lake High Sch. grad.; Mich. Cen. State Normal grad.; Georgetown, B. S. (For. Ser.) 1924; teacher and principal in high sch. 1912-14, 1915-17; U. S. Navy 1917-21, lt. (jg.); private employment 1914-15, 1921-22; entered Bu. of For. and Com. Com. as research asst. 1922; asst. chief, Petroleum Div., 1923-24, and Minerals Div., 1925; trade commr. at London 1926-28; asst. cml. att. at London 1929-33; asst. chief, Div. of For. Tariffs, 1933-36; app. asst. cml. att. at London, Jan. 28, 1936; For. Ser. officer of class four July 1, 1939; cons. and sec. in the Diplo. Ser. Nov. 16, 1939; class three Aug. 16, 1941; to the Dept. April 24, 1941 (detailed to President's War Relief Control Bd. July 24, 1942-Feb. 12, 1944); consultant on foreign-trade protection and promotion, Div. of Cml. Policy, Apr. 28, 1944; cml. att. at Ottawa Dec. 4, 1944; class two May 16, 1945.

**WINIFRED R. MARONEY**; b. Oct. 6, 1897, at Williamsport, Penn.; studied at St. Joseph's School, Williamsport; Mt. St. Mary's Seminary, Scranton, Penn.; and G. W. University, Wash., D. C.; Secretary for various firms in Williamsport in 1916-17; entered Civil Serv. June 1917, clerk with Dept. of Commerce. Bureau of Standards, 1920; subsequently with Bur. of For. and Dom. Com. as Sec. and Regional Econ. Analyst. Chief of Canadian Sec. (now part of Areas Branch of Office of Interna. Trade), since 1941.

**CONSTANT SOUTHWORTH**; b. Duluth, Minn., Aug. 12, 1894; private sch. in Germany; Phillis Exeter grad.; Harvard, A. B. 1915; Georgetown Sch. of For. Ser. 1920-22; Brookings Grad. Sch. of Govt. and Econ., Ph. D. 1929; U. S.

<sup>1</sup> On military leave, Apr. 1943-Oct. 1945.

Army 1918, 2d lt.; engineer for construction company 1915-17; econ. and statistical research for bank 1917-20, Tariff Commn. 1920-21, Dept. of Com. 1921-22, 1926-27, 1928-33, and Brookings Inst. 1923; asst. dir., educational assn., 1927-28; code adviser, Nat. Recovery Admin. 1933-36; econ. analyst 1936-39 and divisional asst. 1939-41, Dept. of State; econ. analyst, Office of Price Admin., 1941-42; app. divisional asst. Dept. of State Oct. 1, 1942; country specialist, Div. of Cml. Policy, 1944.

CARL J. WHELAN, Economist, U. S. Tariff Commission; date of birth, November 19, 1895; birthplace, Island Falls, Maine. Education, A. B., A. M., Ph. D., Princeton University. Service with Tariff Commission: 12 years, as economist; served on a number of interdepartmental committees dealing with economic problems on various commodities with particular reference to products of the metals industry. Service in World War I.

ROBERT M. CARR; b. Hubbell, Nebr., July 1, 1904; Stockton (Calif.) High Sch. grad.; Stanford, A. B. 1926; U. of Calif., Ph. D. 1933; editorial work 1926-28; teaching asst., U. of Calif., 1928-33; asst. prof. of economics, St. Mary's Coll., 1934; app. economic analyst in Dept. of State 1934; tech. adviser, Inter-American Conf. for Maintenance of Peace, Buenos Aires, 1936; special study on effect of int. trade on employment and wages, Int. Labor Office, Geneva, Feb.-Sept. 1939; div. asst. July 1939; detailed as asst. to asst. sec. of State Sept. 1939; asst. chief, Div. of Cml. Treaties and Agreements, Aug. 1941; U. S. participant, 2d Int. Wheat Meeting, Washington, 1941; asst. chief, Div. of Cml. Policy and Agreements, Oct. 1941; alt. del., Inter-Am. Coffee Bd., 1941-43; del. of U. S. to Int. Wheat Council, Washington, 1942-44; representative, Interdept. Sugar Policy Comm., 1942-43; asst. sec. of Tech. Secretariat, United Nations Conf. on Food and Agri., Hot Springs, Va., 1943; asst. chief, Commodities Div., Jan. 1944; act. chief Jan. 15-Feb. 4, 1944; exec. sec., Exec. Comm. on Econ. For. Policy, June 1944-Oct. 1946; For. Ser. Nov. 1946; detailed as adviser to Div. of Cml. Policy Nov. 1946.

CARL E. CHRISTOPHERSON; b. Des. Moines, Iowa, Aug. 18, 1897; Drake Univ. 1923-24; G. W. Univer. 1926-27, 1928-29; newspaper work 1916-18; hydrographic surveying and chart construction, Coast and Geodetic Survey, 1918-24; assistant chief, 1924-26 and acting chief 1927-28, drafting division of Coast and Geodetic Survey, Manila; also technical adviser to Philippine Govt. 1927-28; commercial agent Chicago District Office, Bur. of For. and Dom. Com., 1928-30; appt. Assistant Trade Commis. at Mukden, July 16, 1930; at Sydney, July 1, 1933; Trade Commissioner at Calcutta, Sept. 20, 1933; at Shanghai February 16, 1935; at Manila April-June 1935; to Bureau of For. and Dom. Com., Sept. 1937; chief, Aeronautics Sect. Automotive Aeronautics Trade Div., Oct. 1937-June 1939; For. Serv. Officer in Class VII, July 1, 1939; to the Dept. of State, Aug. 17, 1939; chief, Whereabouts and Welfare Section, Special Division, Nov. 1939-Mar. 1941; Consul and Secretary in the Dip. Serv. November 16, 1939; Consul at Calcutta, Apr. 21, 1941; memb. Joint Mica Mission, 1942-43; Section Secretary and Consul at Wellington, Aug. 28, 1943; Class VI, May 16, 1945; Class V, May 1946; assigned to Dept. of State, May 23, 1946; to Dept. of Com., June 17, 1946, as Chief, Southern Hemisphere Section, Brit. Commonwealth Division, Class IV, November 1946.

MOLESWORTH, KATHLEEN; b. Montell, Tex., Dec. 7, 1895; U. of Tex., B. A. 1917, M. B. A. 1920; secretary at U. of Tex.; clk. to cml. att. at Madrid 2 yrs.; asst. and act. mgr. of export dept. of business; entered Bu. of For. and Dom. Com. Feb. 10, 1929; clk. to cml. att. at Habana 1929-30; app. asst. trade commr. at Habana July 1, 1930; at Guatemala December 12, 1936; Foreign Ser. officer unclass. July 1, 1939; v. c. of career and sec. in the Diplo. Ser. Nov. 16, 1939; v. c. at Guatemala December 29, 1939; class eight Feb. 1, 1942; asst. commercial att. at Guatemala Nov. 19, 1942; class seven Nov. 16, 1943; v. c. at Algiers Oct. 5, 1944; class six May 16, 1945; consul at Algiers in March of 1946; second sec'y. and consul at London June 28, 1946; class five in July of 1946.

WENTWORTH W. PERCE, Economist, U. S. Tariff Commission; date of birth, November 9, 1907; birthplace, Washington, D. C. Education: A.B., Lafayette College; M. S., Georgetown School of Foreign Service. Service with Tariff Commission: 8 years, as economist (1938 to present); served on a number of interdepartmental committees dealing with economic problems of various commodities with particular reference to products of the textile industry. Other service: With Federal Power Commission, 3 years as statistical clerk and junior economist (1935-38).

**MOLINE, EDWIN G.**; b. Springfield, Mass., June 6, 1913; Cathedral High School, grad.; Holy Cross College, Worcester, Mass., A. B. 1934, American University, Washington, D. C., 1937-38; Catholic University, Washington, D. C., M. A. 1941; employed hotel and service station 1934-36, railway mail service 1936-37; commodity specialist, U. S. Tariff Commission, 1937-42; country specialist (India) Board of Economic Warfare 1942-43; Lt. (j. g.) and Lieut. U. S. Coast Guard, 1943-45; U. S. Navy School Military Government and Administration, 1943; overseas service (India) 1944-45; on detail to Div. Commercial Policy from FEA Oct. 18, 1945; appointed country specialist Div. Commercial Policy, Jan. 8, 1946; married.

**DAVID B. LYNCH**, Economist, U. S. Tariff Commission; date of birth, September 21, 1902; birthplace, Verdon, South Dakota. Education: B. S. E., State Teachers, South Dakota and M. A., University of Michigan. Service with Tariff Commission: 5 years as Economist (1942 to present).

**SPARKS, JOSEPH S.** b. Indianapolis, Ind., Aug. 25, 1916; Shortridge High Sch. grad.; tutors in French, German, and Spanish; De Pauw, A. B. 1937; U. of Southern Calif., A. M. 1939; Universidad Nacional de Mexico 1941; app. clk., temp., at \$2,000 in the Dept. of State Dec. 19, 1941 For. Ser. officer unclass., v. c. of career, and sec. in the Diplo. Ser. Feb. 20, 1942, qualified June 5, 1942; v. c. at Habana June 5, 1942; also 3d sec. at Habana Aug. 13, 1942; v. c. at Karachi Mar. 21, 1944.

**CARLTON L. WOOD**; b. June 21, 1911, Tacoma, Washington; Chief, Asiatic-Pacific Section (India, Burma, Ceylon, Afghanistan, British Colonies in Pacific and Africa), British Commonwealth Division, Office of International Trade, Dept. of Commerce. Education: B. A., University of Washington, Seattle, Washington; M. A. in International Administration, Columbia University, Ph. D. in Political Economy, University of Heidelberg, Germany; special courses at University of Chicago. Principal fields: International Trade and Finance, Far Eastern Relations, Colonel Administration. Professional Experience: Asst. Prof., Forman College, Lahore, India., 1935-1938; Asst. Prof., College of Wm. and Mary, Williamsburg, Virginia, 1938-1942. Head of India Section, British Empire Unit, Bureau Foreign Domestic Commerce, 1942-1943. Military leave of absence, 1943-1946 from Dept. of Commerce. Military Government officer in U. S. Navy, stationed in South Pacific, 1943-1946. Acting Asst. Chief of Areas Branch, OIT, Feb.-Aug. 1946. Foreign Travel and Residence: Residence in Germany, 1932-1934, with visits to other European countries. Residence in India, 1935-1938, with travel in Philippine Islands, Java, Malaya, and Burma. Mili. duty in New Caledonia, Solomon Islands, and the New Hebrides, 1944-1945. Speaking knowledge of German, French, Malay, and Hindustani.

**REAGAN, DANIEL J.**; b. Terre Haute, Ind., Sept. 26, 1893; Normal High Sch. grad.; Columbia, B. A. 1916; supt. of mines and mfg. plant 1912-14; sec.-treas. of int. cml. corp. 1917; asst. mgr. of engineering corp. 1917-19; advertising mgr. 1919-23; entered Bu. of For. and Dom. Com. Apr. 1923; app. trade commr. at Paris Aug. 16, 1924; asst. cml. att. at Paris Apr. 27, 1927; del., Int. Road Conf., Paris, 1929, First Int. Cong. of Aerial Safety, Paris, 1930; del. 6th Cong. of the Int. Assn. of Agri. of Tropical Countries, Paris, 1931, Int. Cong. of Wood and Sylviculture, Paris, 1931, 7th Int. Cong. of Agri. and Fisheries, Paris, 1931; observer, Int. Cong. of Geography, Paris, 1931; cml. att. at Paris Jan. 5, 1939; For. Ser. officer of class three July 1, 1939; cons. and sec. in the Diplo. Ser. Nov. 16, 1939; cml. att. at Vichy, temp., Mar. 25, 1941; at Vichy Oct. 1, 1941; Am. mem., Permanent Int. Council and Permanent Int. Comm. of Permanent Int. Assn. of Road Congresses, 1940; cml. att. at Bern Dec. 16, 1941; class two, Feb. 1, 1942; class one July 16, 1944; to the Dept. Jan. 5, 1945; couns. of leg. for econ. affairs at Bern Feb. 21, 1945; couns. of emb. for econ. affairs at Paris Sept. 19, 1945.

**PHILIP M. COPP**; b. Oct. 17, 1894, Burlington, Iowa. Harvard U., A. B. (1916); Georgetown Univ. School of For. Serv. B. F. S. (For. Serv.) 1922. Specialized at Harvard in languages (espec. French and Latin); at Georgetown studied international trade, economics, commercial and international law. Dept. of Com. 1922. Constantly on European work, primary Latin countries of Europe and their colonies. Experience in International Statistics, in chg. of assembling of data for For. Commerce Yearbook from 1933-39. Publications confined to special articles and bulletins for Bur. of For. and Dom. Com. and preparation of For. Commerce Yearbook.

MARY G. CRAIN; b. Ft. Screven, Ga.; Western High Sch. (D. C.) grad.; business sch.; U. of Tex., A. B. 1935; tutor in French and music; sec. in publishing company 1939; clk-typist, Bu. of Census 1940-41; sec., Administrator of Export Control, 1941; app. clk. in Dept. of State 1941-1944; research asst. June 1, 1944.

WILLARD W. KANE, Commodity Specialist (Lace); U. S. Tariff Commission; date of birth, January 14, 1903; birthplace, Bennett, Colorado; Education: B. B. A., and A. B., Colorado University. Service with Tariff Commission; 12½ years, as statistical clerk (1934-36); economist (1936-39); commodity specialist (Lace) 1939 to present. Service in World War II.

H. ARNOLD QUIRIN; b. Manchester, N. H., July 16, 1897; Manchester High Sch. grad.; Harvard 1916-18, 1919-20; Sorbonne 1920-23; clk. in Am emb. at Paris 1918-19; from asst. business specialist to econ. analyst, Dept. of Com. 1929-44; app. divisional asst. Dept. of State 1944.

WILLIAM A. FOWLER; b. Orting, Wash., Mar. 11, 1903; Whitman Coll. B. S. 1925; U. of Oreg., M. B. A. 1927; Harvard 1931-34; grad. asst., U. of Oreg., 1925-26, teaching fellow 1926-27, research asst. 1927-28, and assoc. prof. in for. trade 1928-30; instr. in for. trade, Harvard, 1930-32; app. divisional asst. in Dept. of State June 1934; econ. analyst July 1934; asst. chief, Div. of Trade Agreements Aug. 1936; detailed to Buenos Aires, Montevideo and Santiago to assist in trade agreement discussions 1939-40; asst. chief Div. of Cml. Treaties and Agreements July 1940; asst. Chief, Div. of Cml. Policy and Agreements Oct. 1941; accompanied sec. of state to Moscow Conf. 1943; chief, Div. of Cml. Policy Jan. 1944; chm., Trade Agreements Comm., 1944-45; mem., Comm. for Reciprocity Information, 1944-45; For. Ser. officer of class four, cons. of career, and sec. in the Diplo. Ser. Apr. 1945; 2d sec. and cons. at London Apr. 1945; adviser to U. S. del., Preparatory Comm. of United Nations, London 1945; Adviser to the U. S. Representative (ECOSOC) May, 1946.

ARNOLD, JULEAN, JR.: b. Hankow, China, of Am. parents Oct. 8, 1914; Tamalpais High Sch. (Calif.) and Am. Sch. (Shanghai) grad.; Pomona, B. A. 1936; Fletcher Sch. of Law & Diplomacy (Mass.), A. M., 1938; cml. agt. NY field ofc. Dept. of Com., 1939-41; U. S. Army 1941-46; country spec., cml. Policy Div. Dept. of State, May, 1946—.

PRENTICE N. DEAN, Economist, U. S. Tariff Commission; date of birth, November 28, 1897; birthplace, Scranton, Pennsylvania. Education: A. B., Princeton University; M. A., Beirut, Syria; Post Graduate work, Princeton University. Service with Tariff Commission: 13 years as Economist (1934 to present). Served on a number of interdepartmental committees dealing with economic problems on various commodities with particular reference to products of the chemical industry.

ROBERT P. DONOGH; b. Covington, Kentucky, Oct. 9, 1890. Grad. U. of Cincinnati (Civil Engineer) 1911. Railway construction, subway design, river and harbor work prior to World War I. U. S. Army, 1917-19, France and Germany. Executive Officer, Interallied Rhineland High Commission, Coblenz, Germany, 1919-23. Private business (importer) Paris, France, 1923-27. Wholesale drug firm, 1927-29. Dept. of Com. 1929, specializing in tariff and trade agreement work. Served on various interdepartmental committees and participated in negotiation of current trade agreements with Finland and the Netherlands. Regional expert, various countries of Scandinavian area since 1941.

MERRILL C. GAY; b. Fredericktown, Ohio, July 8, 1907; Elyria High Sch. grad.; Oberlin Coll., A. B., 1929; U. of Mich., M. A. 1931; U. of Ill., Ph. D. 1936; Instr. of econ., U. of Ill. and Mich. State Coll., 1931-39; asst. prof. of econ., U. of Md., 1939-42; head cml. specialist, Treas. Dept., 1941-43; app. divisional asst. in Dept. of State Mar. 1943; act. asst. chief, Div. of Cml. Policy, Nov. 1944; asst. chief July 1945.

CHARLES N. HENNING; b. Pittsburgh, Penn. Grad. of U. of Calif. at Los Angeles, 1938; memb. of Phi Beta Kappa; M. A., UCLA, 1940. Teaching Asst. in Economics and Statistics at UCLA, 1939-41 and Lecturer in Economics, 1941. Bur. of For. and Dom. Commerce, June 1942. Specialized in study of areas in former Japanese Empire, espec. Korea and Taiwan (Formosa), and of Far Eastern (especially Chinese) tariffs and finance. In charge of Japan and Korea Section, 1947 and since 1946 Acting Asst. Chief, Far Eastern Div., Office of International Trade.

**SHAW, JOHN FREEMAN**; b. Moline, Illinois, January 8, 1913; Sioux Falls (S. D.) High Sch. grad.; Sioux Falls College, B.A., 1935; University of Pennsylvania, M. B. A., 1937; senior business assistant, Bureau of Foreign and Domestic Commerce, 1938-42; associate economic statistician, War Production Board, 1942-1943; liaison officer, Office of Lend-Lease Administration, 1943; U. S. Naval Reserve, assigned to Office of Chief of Naval Operations 1943-1946; country specialist, Division of Commercial Policy; married.

**VERNON L. PHELPS**; b. Kaneville, Ill., Oct. 21, 1900; Kaneville High Sch. grad.; U. of Ill., B. S. 1928, M. S. 1929; research fellow, Brookings Institution, 1935-36; U. of Pa., Ph. D. 1937; teacher in high sch. 1923-24, 1928-29; sales-promotion work 1926-27; instr. in economics, Lafayette Coll., 1929-34; instr. in merchandising, Wharton Sch., U. of Pa., 1934-35; agri. economist, Dept. of Agri., 1936-37; app. econ. analyst in Dept. of State Oct. 1937; divisional asst. July 1939; asst. chief, Div. of Cml. Policy, June 1944; Adviser on European Commercial Affairs, Feb. 1946.

**HOWARD F. BARKER**, Chief Accountant, U. S. Tariff Commission; date of birth, June 11, 1892; birthplace, Shell Lake, Wisconsin. Education: Graduated from River Falls, Wisconsin State Normal School, and 3 years of special courses at University of Minnesota, University of Wisconsin and George Washington University. Service with Tariff Commission: 21 years, Accountant (1923-1929 and 1932-1935); Chief Accountant (1935 to present). Directed cost of production investigation on numerous commodities for several of the war agencies. Other service: 3 years with Remington Rand, Inc. as Director of Indexing Research (1929-1932). Service in World War I.

**ARLEY T. CAUDILL**: b. Bigstone, Kentucky, 1902. Attended high schools in Kentucky and Wash., D. C.; special courses at G. W. U. and Berlitz School of Languages, L. L. B. from Southeastern University Law School, Wash., D. C.; member of District of Columbia Bar. Foreign Tariffs Division, Bur. of For. and Dom. Commerce, 1930, as specialist on Central European tariffs; in 1941 assigned to European Division as economic analyst, specializing on Central European countries.

**ROBERT BRUCE WRIGHT**: b. Manila, P. I., June 18, 1917; Meadville High Sch. grad.; Nichols Prep. Sch.; Allegheny Coll., A. B. 1940; Fletcher Sch. of Law and Diplomacy, M. A. 1941, M. A. L. D. 1942; grad. asst., Tufts Coll., 1942; air-intelligence specialist, War Dept., 1942-45; app. country specialist in Dept. of State, 1945.

**CLARK, DUWAYNE G.**; b. Charles City, Iowa, Feb. 27, 1903; Santa Ana (Calif.) High Sch. grad.; Stanford, (A. B. 1925; Georgetown Sch. of For. Ser. 1925-26; George Washington U. 1926-27; entered Bu. of For. and Dom. Com. Sept. 1, 1927; asst. trade commr. at Johannesburg Aug. 1, 1929; to Philadelphia dist. office Nov. 20, 1933; asst. trade commr. at Buenos Aires Aug. 27, 1934; trade commr. at Buenos Aires Dec. 16, 1935; asst. cml. att. at Buenos Aires Aug. 10, 1936; to Bu. of For. and Dom. Com. Jan. 1, 1938; trade commr. at Paris May 16, 1938; asst. cml. att. at Madrid (San Sebastian) June 7, 1939; For. Ser. officer of class six July 1, 1939; asst. cml. att. at Madrid Sept. 9, 1939; cons. and sec. in the Diplo. Ser. Nov. 16, 1939; cml. Att. at Asuncion Jan. 8, 1942; class five Oct. 20, 1942; cons. at Sao Paulo May 2, 1944; cml. att. at Rio de Janeiro Apr. 21, 1945; class four May 16, 1945.

**WILLIAM F. GRAY**; b. Charleston, S. C., Mar. 7, 1912; Durham (N. C.) High Sch. grad.; Duke U., A. B. 1941; Fletcher Sch. of Law and Diplomacy, M. A. 1942; Am. U. 1944-45; clk. and cost accountant for tobacco company 1934-40; license officer and chief of unit, For. Econ. Admin., 1942-44; app. country specialist in Dept. of State Dec. 1944.

**ALLYN C. LOOSLEY**, Economist, U. S. Tariff Commission; date of birth, January 22, 1904; birthplace, Chicago, Illinois. Education: B. S., M. A., Ph. D., University of California. Service with Tariff Commission: 8 years as Economist (1938 to present).

**ANTHONY J. POIRIER**; Born at Shediac, N. B., Canada, October 11, 1897. Attended St. Mary's College; School of Foreign Service, Georgetown University, Washington, D. C. (Special Certificate in Foreign Service); National University of Mexico, Mexico City; and Literary University of Seville, Seville, Spain; served overseas in 23rd U. S. Infantry, 1917-18, and was wounded in action June 6, 1918,

at Belleau Wood; entered the service of the Bureau of Foreign and Domestic Commerce in 1922 and except for the years 1924-27 has continued to serve as specialist in Latin American tariffs and customs regulations; from 1924-27 was in the employ of the General Motors Corporation in New York, the Travel Department of the Equitable Trust Company in Paris, France, the Ford Motor Company in Bordeaux and Paris, France, and the Ford Motor Company in New Jersey; visited Cuba and Mexico in 1922, Spain, France, Belgium, Wales, and England in 1923, and France, Belgium, Germany, and England in 1936; has served on inter-departmental committees for consideration of trade agreements with Latin America, and is the author of a number of Department bulletins on customs regulations and methods of preparing shipments to Latin America, and of special articles in Foreign Commerce Weekly.

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of production, transportation, and consumption of various commodities. Service in World War I.

**HAROLD P. MACGOWAN**: Born at Mt. Vernon, N. Y. 1895; Preparatory schooling, Canada, Germany, Switzerland, Phillips Exeter Academy (also a year's educational trip around the world), 1905 to 1913; School of Commerce and Finance, New York University, 1913 to 1915; National City Bank (Habana and New York) 1913-1915; Johns-Manville Company (France and New York) 1916-1917; Military Intelligence, U. S. Army (France and Italy) 1917-1919; Latin-American Sales Representative (Crown Cork & Seal Co.) 1920-1921; Regional Economist, Bureau of Foreign & Domestic Commerce, 1922-1923; Trade Commissioner, Caribbean Area (West Indies, Venezuela, Colombia and Central America) 1924-1930; Commercial Adviser to Governor of Puerto Rico, 1931; Foreign Commerce Officer (Class II), Bogota, Colombia, 1932-1933; Importer and Exporter, in New York (own account), 1934-1935; Foreign Trade Economist (specialist on international trade barriers) 1935-1939; Commerce Representative, Trade Agreement Negotiations in Argentina, Uruguay, and Chile, 1940; Acting Chief, Trade Agreements Unit, Dept. of Commerce, 1940; Chief, Trade Agreements Unit, Dept. of Commerce, 1941-1945; Adviser on Trade Agreement Policy, Office of International Trade, Dept. of Commerce, 1946-1947; Dept. of Commerce Alternate on Trade Agreements Committee and Committee for Reciprocity Information, 1940-1947.

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**ROLLIN H. CRAGG**, Assistant Chief, Chemical Division, U. S. Tariff Commission; date of birth, November 10, 1889; birthplace, Cincinnati, Ohio. Education: B. S. in Ch. E., Ohio State University. Service with Tariff Commission: 24 years, as Commodity Specialist (chemicals) (1923-1939); assistant to chief of Chemical Division (1939 to present); served on a number of interdepartmental committees concerned with technical problems of the chemical industry. Other service: With Porcter & Gamble Company 5 years as Chemist, Chemical Engineer and Plant Supervisor (1914-1919); Consultant on chemical problems for a number of firms, 4 years (1919-1923).

**OSCAR A. JUVE**, Chief, Agricultural Division, U. S. Tariff Commission; date of birth, May 20, 1883; birthplace, Stoughton, Wisconsin. Education, A. B., Luther College; postgraduate work at University of Wisconsin. Service with Tariff Commission: 24 years, Special Expert in Agriculture (1923-25); Chief Agricultural Division (1925 to present); served on a number of interdepartmental committees concerned with technical problems of the agricultural industry. Other service: 12 years with Department of Agriculture in research in farm costs (1911-19); Economist in Bureau of Agricultural Economics (1919-23).

**F. MORTON LEONARD**, Chief, Metals Division, U. S. Tariff Commission; date of birth, August 4, 1888; birthplace, Lincoln, Nebraska. Education: E. M., University of Minnesota. Service with Tariff Commission: 24 years, as Commodity Specialist (iron and steel) (1922-1923); Chief of the Metals Division (1923 to present); served on a number of interdepartmental committees concerned with technical problems of the metals industry. Other service: 10 years in profes-

sional practice at mining, metallurgy and construction in various localities of the United States and Latin America; engagements on construction and valuation for public utilities and manufacturing industries. Service in World War I.

WALTER L. SANDERS, Jr., Commodity Specialist (Sundries), U. S. Tariff Commission; date of birth, October 20, 1901; birthplace, Catharpin, Va. Education: B. S., University of Virginia. Service with Tariff Commission: 16 years, as accountant (1930-39); Commodity Specialist (Sundries) (1939 to present). Other service: 4 years as accountant with various industries.

JOHN H. SHANNON; born at Washington, D. C., October 20, 1900; Georgetown University, School of Foreign Service, majored in economics and foreign trade, languages (Spanish and German), 1923-1926; U. S. Treasury Department, Wash., D. C., Assistant Vault Custodian, 1918-1926; Automotive Division, Bureau of Foreign and Domestic Commerce, Dept. of Commerce, 1926-1928; Central American Trading Corporation, New York, N. Y., importers and exporters of general merchandise, Vice President in charge of foreign trade, with headquarters in Guatemala City, 1928-1930; Beach-Nut Packing Company, New York, New York, sales representative, cost and market analyst, 1930-1941; Investigations Division, Civil Service Commission, New York, N. Y. and Washington, D. C.; 1941-1943; General Products Division, Commodities Service, Office of International Trade, D.pt. of Commerce, senior economic analyst, prepare analytical studies of foreign markets in the electrical appliance and radio fields, act in the capacity of commodity specialist as a member of various country committees engaged in the trade agreements program, also act as liaison officer between the Areas Branch and the Commodities Branch in coordinating trade agreement work within the Office of International Trade.

MARGARET R. T. CARTER (MRS.); b. Victoria, British Columbia, of Am. parents; Tucson, Sr. High Sch. grad.; U. of Ariz., B. A. 1934; U. of Ariz. Law Sch. 1934-35; Columbia U., 1936; exec. dir. of student org. at U. of Ariz. 1933-35; assist. to the dir. of World Peace Foundation 1935-36; dir. of education of Int. House, Columbia U., 1936-37, 1941; assoc. with business firm 1936-38; membership and financial sec. and program sec., Am. Council, Inst. of Pacific Relations, 1938-40; assoc. in education dept., Twentieth Century Fund, 1940-45; app. information and liaison officer in Dept. of State May 1, 1945; act. asst. chief in charge of mass media branch, Div. of Public Liaison, Aug. 1945; act. chief Sept. 1946.

HONORE MARCEL CATUDAL; b. Blainville, Kans., Nov. 28, 1901; Plainville High Sch. grad.; St. Mary's Coll., A. B. 1922; Catholic U., M. A. 1923; l'Ecole Libre des Sciences Politiques, diplomé 1925; London Sch. of Economics 1925-26; U. of Vienna, summer 1926; mem. of bar of D. C.; business asst., Bu. of For. and Dom. Com., 1928-29; asst. customs agt., Bu. of Customs, 1929-30; Treas. representative at Paris 1930-32; customs agt. 1934-35; economic analyst in Dept. of State 1937; app. economic analyst 1938; divisional asst. July 1939; asst. chief, Div. of Cml. Policy and Agreements Sept. 1942; special asst. to dir., Office of Econ. Affairs Jan.-Dec. 1944; asst. chief, Div. of Cml. Policy Jan.-June 23, 1944; assoc. chief, Div. of Cml. Policy June 1944; asst. chief of Div. of Internatl. Organization Affairs, Nov. 1945; adviser to econ. cons. Am. Emb. London Jan. 1946; econ. adviser on peace treaties to asst. sec. 1946; U. S. representative to Interim Drafting Committee, UN, 1947; Mar. 1947, legal adviser to Cml. Policy Div.

JOHN B. HOWARD, Commodity Specialist (Sundries), U. S. Tariff Commission; date of birth, September 5, 1913; birthplace, Jackson, Missouri. Education: B. C. S., Southeastern University. Service with Tariff Commission, 5 years, Accountant (1941-43); Commodity Specialist (Wool Manufacturers) (1943-46); Commodity Specialist (Sundries) (1946 to present).

The CHAIRMAN. It came to my attention that at Geneva almost every other important bargaining power had at its elbow the benefit of counsel from the industry affected. It was stated that we repelled that sort of advice and did not want businessmen over there at all, and that some of them were very peremptorily treated when they arrived on the scene.

Mr. CLAYTON. Mr. Chairman, I was at Geneva practically throughout. I had to make a few trips to other places during the conference.

I know of only one case of an attorney representing some interest in the United States who came over and wished to get information as to what was going on. We told him we could not tell him what we were proposing to do in the way of tariff cuts on commodities. We made that very clear to him. He was treated always with the greatest courtesy, and I told him myself that whenever he wanted to talk to anybody connected with the United States delegation to see Mr. Brown or see me, and we would always be glad to talk to him and hear anything that he had to say.

The CHAIRMAN. Did you advise, or did you invite American industries that might be affected to send counsel teams to Geneva to counsel with your various negotiating teams?

Mr. CLAYTON. No, sir; we did not, and if any of them had consulted us on the matter, we would have advised them not to do it, because we gave every opportunity before we left for all interested parties to be heard, to make their views known, to file their briefs and to come in person and testify. Opportunity was afforded for that. Nothing was to be gained by having them at Geneva, because the decisions had been made at the time we went to Geneva, and to have them there would only have confused matters and would not have been of any assistance whatever to us and have been of no help to them.

The CHAIRMAN. But the foreign countries apparently thought otherwise because their teams were counselled by representatives of the businesses affected.

Mr. CLAYTON. I know of three or four out of the 20-some-odd who were there of which that was true. It may be that in their delegation they might have had some officials of their governments who had had business experience. That I don't know. In practically every case they were government people without businessmen to advise. There were two or three cases where they did have businessmen to advise them.

The CHAIRMAN. You thought it better to negotiate the subject in vacuo, as it were?

Mr. CLAYTON. No, sir; not at all. We did not do it in vacuo at all. We held these hearings before going to Geneva, and every interested party had an opportunity to come and present his views. We had a mass of information. We had a mass of opinions, an enormous record of them.

The CHAIRMAN. Mr. Clayton, the interested parties did not have the figures at which you were shooting?

Mr. CLAYTON. He couldn't have had, Senator, because—

The CHAIRMAN. He could have had if he had been at Geneva to see what you were shooting at.

Mr. CLAYTON. He couldn't get it from us. Some of them tried. At least one of them tried, but he didn't succeed.

The CHAIRMAN. That is exactly what I am talking about.

Mr. CLAYTON. He should not have had it, because we were conducting a negotiation there, a trade across the table with other people who were interested in getting from us everything that they could. They would have liked to have known how far we could go in every case. They would have liked to have had that information. It would have been useful to them. But they didn't have it. I am reminded of the

farmer boy who went to town with a calf to sell. The butcher said, "How much do you want for that calf, son?"

The boy said, "Well, Pa told me to get \$10 for him if I could and if not to sell him for \$5."

We didn't want these people that we were negotiating with to have any information about how far we could go, what our price was. As a matter of fact, Senator, we did not know ourselves. We know how far we would go, of course, but we didn't know at what point we were going to trade because it depended on what we could get from the other fellow.

The CHAIRMAN. You have stated the whole case. Right now I think you have stated the whole case. Your last 20 words state the whole case.

Mr. CLAYTON. I don't quite understand what you mean.

The CHAIRMAN. Mr. Reporter, read the last few words of the witness.

The REPORTER (reading):

We didn't want these people that we were negotiating with to have any information about how far we could go, what our price was. As a matter of fact, Senator, we did not know ourselves. We knew how far we would go, of course, but we didn't know at what point we were going to trade because it depended on what we could get from the other fellow.

The CHAIRMAN. How can you protect American industry if you go into a trade on that kind of basis?

Mr. CLAYTON. Because, as I said in those last 20 words, we had the limit beyond which we wouldn't go because the President had approved that. We wouldn't go below that limit. We might not go that far.

The CHAIRMAN. When you decided how far, the exact point, no disclosure of the selling price of the calf could possibly help anybody, would it not have been helpful to have called in the representative of the industry affected and say, "Here is the figure that we are going to close on unless you can show us a darned good reason why we should not."

Wouldn't that have been helpful?

Mr. CLAYTON. We had all his reason before, Mr. Chairman.

The CHAIRMAN. But he did not know the exact figure.

Mr. CLAYTON. He didn't know, but we knew and we had his views, his opinions, his judgment, his papers, his documents, his proofs, everything that he wanted to give us.

The CHAIRMAN. Besides a lot of water was over the wheel between the time you heard them before those panels and the time you made the deals at Geneva.

Mr. CLAYTON. Not so long.

The CHAIRMAN. Not so short, either, as time goes in business.

Mr. CLAYTON. About 4 months. That was all, about 4 months. From the time we started to negotiate, 4 months from the end of the hearings until we started to negotiate.

Senator LUCAS. Had all those businessmen been over there you would not be back yet.

Mr. CLAYTON. I must correct myself. It was 7 months.

The CHAIRMAN. It may be carrying coals to Newcastle, but if you take a look at your price increases in this country, your cost indices and everything else over that period of 7 months, you will then be able to

determine whether the situation was the same then as it was at the time you heard these people before the panels.

MR. CLAYTON. You can't start all over on some slight change, Mr. Chairman. There was not any very great rise in the Labor Department's index of the cost of living in those 7 months.

THE CHAIRMAN. Your variations in exchange during those 7 months were enormous.

MR. CLAYTON. What kind of exchange?

THE CHAIRMAN. Money.

MR. CLAYTON. That had very little to do with it.

THE CHAIRMAN. That has nothing to do with this subject?

MR. CLAYTON. Very little to do with it. For example, the French exchange was the one that fluctuated the greatest in that period and the last 2 or 3 years of any of the large countries. The British didn't fluctuate at all. The Italian didn't fluctuate as much as the French. We found that whenever the French exchange was changed officially by the Government, it was to meet a condition that had arisen and not to create a condition.

THE CHAIRMAN. I understand that. That does not eliminate the condition, either.

MR. CLAYTON. But it was to meet a condition and not to create one. The depreciation in the real value of the franc, the buying value of the franc, in France, came much quicker than they could meet it by official action of the authorities.

THE CHAIRMAN. Mr. Clayton, you would not say that the variations in the exchange have no relation to tariff agreements?

MR. CLAYTON. Very little, very little.

THE CHAIRMAN. My, how this story has changed. When we were figuring on Bretton Woods and measures for stabilizing money we were told that this was an absolutely vital thing in connection with our tariff agreements that we made.

MR. CLAYTON. Yes; I think it was vital.

THE CHAIRMAN. Now it has become a very inconsequential affair.

MR. CLAYTON. Certainly, in the present state of the world and the enormous demand for goods and the inability of the productive facilities of the world to furnish the goods in most cases equal to the demand, the question of exchange rates has extremely little to do with the matter of tariffs. Certainly, in the case of the French where, as I say, there was the greatest deterioration, if you look at the figures of the imports into the United States from France—I have them here—over that whole period of time, with the constant depreciation of the French franc, the imports went down. They didn't go up.

THE CHAIRMAN. If the exchange rate is not important, then is it not obvious that the tariff rate itself is not important?

MR. CLAYTON. Certainly, the tariff rate is important.

THE CHAIRMAN. They are both tied together, so far as a conduct of business is concerned.

MR. CLAYTON. The tariff rate is extremely important in several respects, but certainly one as to which you will agree immediately I am sure, and that is as to the cost of the consumer in the United States.

THE CHAIRMAN. Oh, yes; and everywhere.

MR. CLAYTON. Everywhere.

The CHAIRMAN. If the dollar will buy 40 francs today, and next month will buy 100 francs, and next month 150 francs, and the next month 75 francs, does that not have an obvious impact on our trade agreements with France?

Mr. CLAYTON. It has had extremely little, for the reason that the fluctuation in the cost of goods in France went right along with that change in the franc. So, translated into terms of United States dollars, there was no difference.

The CHAIRMAN. Yes; but what about the American goods? They did not correspond to the fluctuation in the franc.

Mr. CLAYTON. No the American goods didn't. But the cost of French goods. Presumably, if the franc is worth, say, 50 to the dollar, and within 2 or 3 weeks or a month it goes to 100 to the dollar, the presumption is that that will greatly stimulate or enable French producers to increase their exports to the United States because they can now get 100 francs to the dollar, and instead of 50, as they did a few weeks ago. It wasn't true at all. The very opposite happened, for the simple reason, Senator, that the price of the goods in France—wages and the cost of production—went up faster than the franc went down.

The CHAIRMAN. But when you translate that into the dollar at this end of the game, is it not quite obvious that the number of francs that you can buy for the dollar has a direct impact on the trade?

Mr. CLAYTON. No, sir; not at all, for the reason that I have mentioned, that as the franc depreciated in France, the cost of goods went up even faster.

The CHAIRMAN. Mr. Clayton, this is a two-way road. We are exporting and we are importing.

Mr. CLAYTON. That is right.

The CHAIRMAN. Do you mean to tell me that I, as an exporter to France, am not concerned with the number of francs I can get for my dollar?

Mr. CLAYTON. You are only concerned with what the bank in New York will give you for your francs.

The CHAIRMAN. That is not the whole story. That is the measuring stick.

Mr. CLAYTON. The point, Senator, is that the price of goods in France went up much faster than the franc depreciated, and what you are principally interested in is the depreciation of foreign moneys is the benefit or advantage that that will give the foreign country in the sale of its goods to the United States and other foreign destinations.

The CHAIRMAN. And the exporter in the United States has a direct interest in that. You put half of your argument, at least, or three-fourths of your argument on the benefits to the exporter.

Mr. CLAYTON. There is very little connection, certainly under present conditions, to the depreciation of the French franc and the volume of export and import trade. I will say to you that for a long time while the French Government held the franc at 119 to the dollar, which they did for a considerable period of time when the real market was 250, more than double, for a considerable period of time when they held it at that, which meant that a producer in France in trying to sell goods into the United States would get only 119 francs for a dollar when he exported goods to the United States. When

really the real market was 250 and the cost of the goods, of producing them, was on the level of 250, it just eliminated, almost, exports to the United States.

For that reason, the French Government changed it to 214 to the dollar.

The CHAIRMAN. All that you are saying demonstrates the important relations of exchange to exports and imports.

Mr. CLAYTON. To having the exchange real and not artificial. Senator, this is a highly complicated and technical question. I happen to have a good deal of experience in it.

The CHAIRMAN. I know you do.

Mr. CLAYTON. I would like to make this clear. Sometimes a foreign country will depreciate its exchange. It has been known in the past, certainly between the two world wars, that a foreign country would depreciate its exchange for the very purpose of trying to get an advantage in selling its goods in the markets of the world. For a short period of time that device might be effective. If they depreciated their exchange consciously below its real value, in effect what it is, is cutting wages without telling the laborer that his wage has been cut.

The CHAIRMAN. And raising or lowering tariffs. You recognize that in your ITO agreements themselves.

Mr. CLAYTON. You are quite right. But my point is that that has not been the situation with respect to foreign exchanges in the recent past, and particularly not with respect to some of the principal producing countries, like Italy and England and France. In the case of France, as I have pointed out, the real market rate of the franc went down much faster than the official rate, and it was just the opposite of the situation that I have presented to you that some foreign country sometimes will send the official rate down faster than the market rate in order to get an advantage in the exportation of their goods. That was not true in France.

I do insist that the action of the principal competitors of the United States abroad, that is, the industrial countries, their actions postwar vis-a-vis their exchange rates, have had no motive of trying to increase their exports to the United States anywhere else, because they have held those rates artificially low persistently and consistently since the end of the war. They have been held artificially low.

The CHAIRMAN. As to ECA, we are sending a vast sum of money over there to rehabilitate the industries of those countries; is that correct?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. We are encouraging the formation of local tariff leagues.

Mr. CLAYTON. We have encouraged the formation of customs unions; yes, sir.

The CHAIRMAN. What effect will that have on our exportation in the future? Assuming that they become effective, assuming that we rehabilitate their industry or they, together with our aid, rehabilitate their own industry and are able to supply their old markets and are able to overcome their own obsolescences and are really able to get going as a healthy economic state, and assuming that these customs

unions that we are promoting become effective, what effect will that have on our exportation?

Mr. CLAYTON. I think that should be a very favorable effect for the simple reason that if you can make the assumptions that you have indicated, that whole area would become prosperous again and self-contained in the sense that they could pay their own way; they would have a higher standard of living than if an opposite situation existed and would be able to buy more of our goods. That would be my view.

The CHAIRMAN. Their purpose would be to build up their own industries and to supply their own needs, would it not?

Mr. CLAYTON. Yes, but they cannot supply many of their own needs.

The CHAIRMAN. There would be a selective trade after that.

Mr. CLAYTON. We have found, Senator, and I think it is perfectly reasonable, that our greatest markets from this country are to the highly industrialized countries, for the simple reason that those highly developed countries have a higher standard of living, and their people have more desires for things, and they have the ability with which to satisfy them. So, they become better customers of ours than poorly developed countries which have a lower standard of living.

I feel very definitely that it is in our interest, that it is in our own selfish interest, to hope that every section of the world will in time be prosperous and will be able to develop on economical grounds whatever industries and production its own situation may justify.

The CHAIRMAN. I think that is a very worthy goal, and I suggest to you that as these nations build up and are able to supply their own needs and as they are able nationally or by groups to protect themselves tariff-wise, in the end we will come down to some sort of selective tariff system.

Mr. CLAYTON. That is what I hope we have today. That is what we have tried to develop in the reciprocal trade agreements program. Our action in respect to tariffs under that program has been highly selective. I would like to give an example of what we hope can be done in Europe. As you know, before the war there were certain countries over there that had exorbitant tariffs on the importation of wheat. I will name three. Germany had the highest, Italy had the next, and France had the next. That was done in the case of Germany and Italy in order that they might get ready for war and be more or less self-sufficient in respect of food. The tariff was simply exorbitant, and the price of bread in Germany and in Italy was much higher than in the United States.

We are hoping that in the postwar economy we can prevent the recurrence of that. We of course would like to see these countries produce whatever what they can produce economically and efficiently, but when it comes to the stimulation of extra wheat production by raising the price two or three times, we are against that and we will try to prevent it. I hope that in the next two or three decades the United States, with its highly efficient mass-production methods of wheat, with mechanized farming on a large scale, will be able to supply a great deal more of the wheat of those countries than we did before the war.



The CHAIRMAN. Our world leadership, then, in these matters consists of urging an economic rehabilitation that will lead to greater self-sufficiency of these foreign countries and that they protect themselves mutually by customs leagues.

Mr. CLAYTON. Self-sufficiency in the best sense, not in the sense of man-created self-sufficiency by high protection, certainly not, but self-sufficiency in the sense that they develop those industries and those economic activities that are properly related to the country and to the people.

The CHAIRMAN. That is right. Therefore, that world leadership would not be affected by anything that is in this bill. How would our world leadership be affected by what is in the bill, except for the argument of what the other fellow will think? That reminds me that one time I was riding in an elevator, and there was a sign there which said, "Don't worry about what the other fellow is thinking about you. He is worrying about what you are thinking about him."

Mr. CLAYTON. Senator, the main thing is what we think about ourselves.

The CHAIRMAN. I agree.

Mr. CLAYTON. If we pass a bill here that will have the effect of emasculating this program, of debilitating it and weakening it to the point that it will not be an effective instrument of our foreign economic policy, we will know that. Nobody will have to tell us. We will know it, and the whole world will know it. If we do that, we lose our leadership.

The CHAIRMAN. No one would suggest doing that.

Mr. CLAYTON. I think this bill does it.

The CHAIRMAN. I mean that is where the difference of opinion comes.

Mr. CLAYTON. Yes; that is right. I think this bill does it.

Senator GEORGE. Before you leave the question of the customs agreements, the primary purpose of the customs unions that we have heard about recently is to break down the arbitrary restrictions imposed between the states themselves in Europe.

Mr. CLAYTON. Certainly.

Senator GEORGE. In a very general way, of course, the whole prosperity is affected by how far they can reach a more liberal basis on which to do business with one another.

Mr. CLAYTON. I think that is right. I have often expressed the opinion that Europe will never recover to a point where they can provide a decent standard of living for their people and be independent financially of the rest of the world until they substantially lower the barriers to trade that exist in what I call these little water-tight economic compartments that they operate in over there. You get in an airplane and in a few hours you pass over half a dozen borders, whereas if you are on the surface of the ground you have a customs house that you have to go through. All the goods that travel among the countries are subjected to all kinds of hampering delays and charges. People, of course, go through the same process. Until they break down some of those things, I don't think that Europe in these modern times can recover to the point that the people will have a decent standard of living.

The CHAIRMAN. Are there any further questions?

Senator LUCAS. I want to ask one or two questions, Mr. Chairman. Am I correct in my understanding of this bill that the Commission would have to satisfy itself in advance as to whether a serious injury or threat of injury would result to an industry in this country?

Mr. CLAYTON. That is right.

Senator LUCAS. According to your testimony, that becomes almost an impossibility, if previous experience in that line of work is a criterion or precedent to follow.

Mr. CLAYTON. I think it does to the point that all their decisions would be made in favor of protection and the net result would be that we would get no reductions. We might get some advances in tariff, but few, if any, reductions.

Senator LUCAS. Under that theory there could be no calculated risks.

Mr. CLAYTON. I don't think there could be under the language of the bill.

Senator LUCAS. That is right, but there is at the present time, under the trade-agreements policy that you have been following.

Mr. CLAYTON. That is right.

Senator LUCAS. That is one of the great distinctions, as I see it.

Mr. CLAYTON. It is.

Senator LUCAS. Do you agree with me that an unsympathetic administration of the present trade-agreements program could practically nullify it?

Mr. CLAYTON. They could if they acted absolutely contrary to public opinion, but I think that public opinion would catch up with them awfully quick.

Senator LUCAS. The point I was going to make follows. It would have to be open and unmistakably clear in order to do it, and public opinion would catch up with them; but under the present bill they could do it and stand on the provisions of the bill and advise the people that Congress provided the very thing they were doing.

Mr. CLAYTON. That is right.

Senator LUCAS. I am glad you agree with me on that because that is exactly the way I see this situation.

Let me ask you one other question: How many nations participated in that Geneva Conference?

Mr. CLAYTON. Twenty-three.

Senator LUCAS. How many multilateral trade agreements were agreed upon there?

Mr. CLAYTON. It was 120, wasn't it?

Mr. BROWN. Yes; there was about that number of separate negotiations.

Mr. CLAYTON. There were about 120 separate negotiations, which were all incorporated into the one multilateral agreement.

Senator LUCAS. What is going to happen under the theory that was presented by this Government, should we adopt this bill, if the nations that participated in this conference should take the same position on it that you do?

Mr. CLAYTON. Of course, Senator Lucas, the Geneva agreement stands unless something like——

Senator LUCAS. I understand that. I am not talking about the Geneva agreement. I am talking about the attitude of these nations

so far as the future is concerned, should we adopt this bill and they believe that we are going backward instead of forward with respect to world trade.

Mr. CLAYTON. I think the effect on them would be very bad, I think it would be extremely bad, because the whole world since the end of the war has acted under our leadership to try to prevent happening exactly what happened between the two world wars, after the First World War, which was a tendency on the part of everybody to go to autarchy and economic nationalism. We have taken the leadership. We took it during the war in the Atlantic agreement and in article 7 of the lend-lease agreements. We started even then to try to lay the ground work of a liberal international economic policy in which we would take the leadership in the United States. We followed up immediately after the war that ground work. We have been consistent throughout in it, and if now we take action which gives other countries cause to believe that we are hesitating or that we are going the other way, the effect on world opinion will be extremely bad. We certainly would lose our leadership in that field.

Senator LUCAS. I certainly concur in that, because for 13 years we have dedicated the economic leadership of this country to a liberal policy as far as trade with the world is concerned. We may disagree upon what the meaning of this bill is, but if there is a disagreement on the meaning of this bill and the disagreement is to the end that we go backward instead of forward, it seems to me we cancel out all the good we have accomplished in the international trade field over the past 13 years. I am sure you agree with me.

Mr. CLAYTON. We are in grave danger of doing just that.

Senator LUCAS. If this bill should become law, is it not a fact that it would impede or cripple any future trade agreements that we might try to negotiate with other countries?

Mr. CLAYTON. Yes. I think if this bill should become law, we will not be able in the future to make any trade agreement of any significance with any country under this bill.

Senator LUCAS. What about it if we extend it only 1 year, as has been proposed?

Mr. CLAYTON. That would have a very bad effect on the whole world, on our own people in this country and abroad, because it would show a hesitation. Nobody has been able to show any serious defect in the present bill or in the procedures that we take under it. The world knows that. That being the case, everybody would wonder why you would extend it for only 1 year. Is it so that in case there should be a change in administration, perhaps next year, the whole thing can be scuttled?

Senator LUCAS. To me that is extremely important. The next question I was getting around to was whether or not there has been any case made that any industry has had serious or threatened injury under the reciprocal trade agreements.

Mr. CLAYTON. Not one serious case of which I am aware. In the hearings before the House subcommittee, which lasted about a week, we had numerous witnesses testifying against the act and against the procedures and the administration under it, and not one single one was able to show any serious injury, that any serious injury had been caused to any American producer.

Senator LUCAS. With that statement of fact, I confess it is difficult for me to understand what all of this shouting is about, unless there is a basic philosophy involved here which seeks to go back to the old reactionary days of the high-tariff policy in this country. That is all I can see in this in view of the statement that there is absolutely no complaint by any industry in this country that the reciprocal-trade program has seriously threatened an economic injury to any great industry in America today.

Mr. CLAYTON. There has been no evidence of that kind.

The CHAIRMAN. Mr. Clayton, there is not any danger in a long fuse on a bomb until it goes off. It has been suggested if we do not adhere to the standard that would prevent injury to American industry, that if we dilute that standard with a lot of other standards, some day if we ever return to anything resembling normality in trade, that bomb will go off. Then public opinion that we have been discussing would also make itself felt.

Senator LUCAS. I want to make one further statement. You spoke of a bill that has been introduced in the House of Representatives, known as the Gearhart bill, H. R. 6379. There is also one in the Senate by Senator Malone, known as S. 2582. These two bills, as I understand it, are identical. Their provisions, in line with the tariff philosophy of their authors, would undo all that has been accomplished under the Trade Agreements Act.

Mr. CLAYTON. That is as I understand the purpose of the two bills.

The CHAIRMAN. The bills have not been acted on in either committee in either House of Congress, have they?

Senator LUCAS. They have not, that is true. I only cite the two bills to prove the point that I made a while ago that there are certainly Members of Congress who believe in sabotaging the trade agreements from beginning to end and starting on a new theory.

Mr. CLAYTON. I think there is some significance in the fact that in the House the author of H. R. 6379 is the same as the author of H. R. 6556.

The CHAIRMAN. The bill has not been acted on either in committee or in the House.

Mr. CLAYTON. I believe not. It just shows the intent and the purposes of the parties.

The CHAIRMAN. It shows the intent and purposes of two people.

Mr. CLAYTON. Perhaps.

Senator GEORGE. It shows at least the mental attitude that they have.

The CHAIRMAN. It has not been carried any further than that.

As to world leadership, Mr. Clayton, I think a fairly good argument can be made for the proposition that unless we keep our domestic industry healthy, we cannot keep our world leadership very long, and if you slight the test of avoiding injury to American industry, pretty soon the economy will not be healthy and you will not have any world leadership because a considerable part of our world leadership depends on the candy stick.

Mr. CLAYTON. Mr. Chairman, that has two aspects in my mind. One is that there is no intention to take any action which would impair the health of any industry in the United States. The second is

that if perhaps we have some industries in the United States that depend upon tariff protection for their volume and for their prosperity, we also have many industries in the United States which depend for their volume and their prosperity on the number of people they can employ on their export trade.

The CHAIRMAN. Let me ask you, what is the role of the exporter in these panel hearings? What does he bring to those panel hearings?

Mr. CLAYTON. The people who are interested in obtaining concessions on commodities which they export come in and present certain facts and information which are of use and value to the committee.

The CHAIRMAN. When you get over to Geneva, do you have any counseling teams of American exporters there?

Mr. CLAYTON. Oh, no, sir, we didn't have any American business interests there at all. We did have—

The CHAIRMAN. Either exporter or importer?

Mr. CLAYTON. No; none of any kind. At Habana we did have an advisory group of American business, labor, and agriculture, in the charter negotiations; but in Geneva in the tariff negotiations, it is not our custom to have any advisers in the negotiations themselves, because to do so would bring about utter confusion and pulling and hauling and all sorts of things which would gravely interfere with the negotiations and in all probability destroy them entirely.

The CHAIRMAN. I suggest there is no reason that that should be so, and I suggest there is no reason that you should make an academic exercise out of your tariff negotiations.

Mr. CLAYTON. We don't make an academic exercise out of it, because we previously have full consultation with all interested parties.

The CHAIRMAN. There you are at grips with your competitor. You are in there, and the fellow who knows the most about it is the American exporter or importer, and he is at home, while these inexperienced negotiators are at Geneva.

Mr. CLAYTON. We have all the information that this American exporter or importer could give us prior to going.

The CHAIRMAN. It all comes up to that final moment of grapple with your competitor, and at that moment you have no assistance except that which you can get out of the list of people that you will find in the record when it is put in there.

Mr. CLAYTON. On the basis of the information that we got from the interested parties before we went to Geneva, we made up our minds as to how far we could go in giving concessions in the tariff on these imported commodities, and we traded within that limit. That decision was made immediately after the hearings in Washington and before we went to Geneva.

The CHAIRMAN. I think you have made that phase of it very clear. Senator Butler?

Senator BUTLER. No more.

The CHAIRMAN. Any further questions, Senator George?

Senator GEORGE. I did want to ask one question. I believe you said that we had negotiated trade agreements with 42 countries since the passage of the act.

Mr. CLAYTON. There are 42 that we now have agreements with.

Senator GEORGE. They do include the important producing and industrial countries?

Mr. CLAYTON. Yes, sir.

Senator GEORGE. It is true, is it not, that we might have occasion, some substantial reason, to reexamine existing treaties between some of these countries?

Mr. CLAYTON. Yes, sir, we certainly would. Conditions arise from time to time that make it necessary to renegotiate all or certain aspects of an agreement.

Senator GEORGE. That is short of any effort to use the escape clause.

Mr. CLAYTON. Yes, sir, it is. We are now engaged in a renegotiation of the Mexican agreement. Those situations arise constantly.

The CHAIRMAN. Mr. Clayton, without taking time in this proceeding to go into that Mexican matter, we have had lots of complaints on that, and I have transmitted some of them to you, and I have had your replies. I wonder if you would make and put in the record a complete statement of the Mexican treaty situation.

Mr. CLAYTON. Yes, sir; we would be very glad to do that.

(Mr. Clayton subsequently supplied the following information:)

#### REVISION OF UNITED STATES-MEXICAN TRADE AGREEMENT

Negotiations for the revision of schedule I of the trade agreement between the United States and Mexico are now under way at Mexico City. Schedule I covers tariff concessions on imports into Mexico from the United States.

Background information regarding these negotiations is as follows:

1. Several times during 1945 and 1946 the Mexican Government suggested revision of the trade agreement of December 1942 with the United States, stating that circumstances since signature had thrown the benefits out of balance to Mexico's disadvantage.

2. In 1947, the Mexican Government, impelled by circumstances and after consultation with this Government in the cases where it was required, took various steps to restrict imports.

3. The circumstances impelling this action were—

(a) A marked and continuing decline in Mexico's foreign exchange reserve largely due to an adverse trade balance with the United States contrary to the prewar situation.

(b) Strong domestic pressure for increased tariffs—

i. To protect war-born industries;

ii. To encourage economic development;

iii. To change the specific duties to compound duties equivalent on an ad valorem basis to those applying when the agreement was signed in 1942.

4. The principal steps taken by Mexico were—

(a) A prohibition, in July 1947, against imports of a wide range of nonessential goods including some items in the trade agreement with the United States.

(b) A change, in November 1947, to the ad valorem equivalent of the duty in 1942 or higher, of the rates of duty on some 5,000 items not in the trade agreement.

5. In December 1947 it became evident that Mexico would raise the duty on items in the trade agreement. At this point the United States—

(a) Could have announced its intention of denouncing the agreement in the event of such action by Mexico, or

(b) Could have sought a solution to the problem through negotiation and agreement.

6. Denunciation of the agreement—

(a) Would have resulted in a major, and it is believed, unnecessary breach in United States economic relations with Mexico.

(b) Would have lost for the United States the opportunity to influence the amount by which Mexico would increase rates and to obtain compensation for such increases by further bargaining.

7. Therefore, after full consideration by the interdepartmental trade-agreements organization of all phases of the problem, and with over-all United States-Mexico relations in mind, the United States agreed to provisional increases in duties on trade agreement items to levels equivalent, on an ad valorem basis, to those provided in the trade agreement when it first came into effect. In return Mexico agreed to negotiations intended to restore the balance in the agreement through revision of the new Mexican rates on items not now in the agreement.

8. If a satisfactory adjustment of Mexican tariff rates should prove impossible to negotiate, the United States is not precluded from seeking agreement on the basis of withdrawing concessions previously made by this country to Mexico, or from terminating the agreement in accordance with its provisions.

Senator BUTLER. Mr. Clayton, you mentioned a moment ago that they took no specialists or representatives of trade to the Geneva Conference, but that they did to the meeting in Havana.

Mr. CLAYTON. Yes, sir.

Senator BUTLER. May I ask how they were selected for the Havana meeting?

Mr. CLAYTON. We invited representatives of the three principal farm organizations—the Grange, the American Farm Bureau Federation, and the Farmers Union—to send representatives; we invited the CIO and the A. F. of L. to send representatives, and they did so; and we invited the United States Chamber of Commerce, the National Association of Manufacturers, and the National Foreign Trade Council, those three, to send representatives, and they did so. We used the pattern, Senator Butler, that we used at the Chapultepec Conference in Mexico City, which worked out very well.

Senator BUTLER. I wonder why it would not have worked similarly at the Geneva Conference.

Mr. CLAYTON. Because at Geneva we were trading, and trading on rates that inevitably some of these advisers might have had a personal interest in. The nature of the transactions was just such that we could not do it. At Havana we did no trading on tariff rates at all. That subject did not arise. We were trying to agree on the provisions of a charter for an International Trade Organization. The same was true at Mexico City. We had no trading at that conference on tariff rates.

Senator LUCAS. What is the life of these 42 trade agreements, Mr. Clayton?

Mr. CLAYTON. They generally run for 3 years from date, with a provision that they can be terminated thereafter upon 6 months' notice. In that way, unless notice is given, it runs on and on.

Senator LUCAS. What would happen, for instance, if you should terminate the agreements entirely by an act of Congress.

Mr. CLAYTON. If we should terminate the agreements, we would go right back to the Smoot-Hawley rates.

Senator LUCAS. These agreements that we have would be automatically cancelled.

Mr. CLAYTON. If a bill of this kind is passed, it would terminate all of them.

Senator LUCAS. I did not say this bill.

Mr. CLAYTON. I mean like H. R. 6579, if a bill of that kind should be passed. The purpose of that bill and the Malone bill is to terminate all existing agreements. In that case the tariff rates of the United States would go right back to Smoot-Hawley.

The CHAIRMAN. I think it should be made very clear that we are not talking about the bill which is before the committee.

Mr. CLAYTON. That is right.

Senator LUCAS. Yes. I merely asked that question. I wanted to get that information on the record. In any event, if the trade agreements were terminated entirely under any legislation, they would be automatically canceled, and we would revert to the Smoot-Hawley tariff rates.

Mr. CLAYTON. That is right.

The CHAIRMAN. Thank you very much, Mr. Clayton.

Mr. CLAYTON. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Russell Smith? Mr. Smith, will you identify yourself to the reporter, please?

**STATEMENT OF RUSSELL SMITH, LEGISLATIVE SECRETARY,  
NATIONAL FARMERS UNION, WASHINGTON, D. C.**

Mr. SMITH. My name is Russell Smith. I am the legislative secretary of the National Farmers Union, located in Washington, D. C.

The National Farmers Union has staunchly supported the present program of negotiating reciprocal trade agreements for many years, and indeed only about a fortnight ago I appeared before the House Ways and Means Committee to endorse the Doughton bill calling for a 3-year extension of the act, without amendment. At that time I gave the views of our organization in some detail. There appears, therefore, little reason to burden the record of this hearing with repetition of those arguments, particularly in view of the limited time available for hearings and, for that matter, for action by the Senate.

In brief, the National Farmers Union believes that the existing system has proved its worth, and the fact that Congress repeatedly has extended the act governing it indicates in itself the desirability of the program. We strongly oppose a return to the old practice of piecemeal writing of tariff acts in Congress, believing it a wasteful time-consuming process, attended by the evils of log-rolling and special interest pressures that have illustrated the history of such legislation in the past. We believe few Members of Congress who have suffered through such a process would wish to return to it today.

But, apart from this history, there are cogent and powerful reasons why it would be particularly unwise for Congress now to weaken the act. We have just taken the leadership among the nations of the world in reducing barriers to trade, through the reciprocal trade agreements at Geneva last winter and formulation of a charter for an International Trade Organization, as well as in launching the European recovery program. To turn our backs upon a course looking toward peaceful, expanding trade, and to return to the paths of extreme protectionism down which we led the world in the days of the Smoot-Hawley tariff bill would be a heavy and damaging blow at world recovery and at prospects for enduring peace.

Agriculture has a special interest here. Many of the great staple products of American farms need overseas markets, markets that have been and are being supplied by grants and loans of American dollars. This cannot continue indefinitely. Unless we progress toward revived



trade, unless we allow other nations to acquire dollars with which to buy from us, sooner or later American farmers will find themselves cramped back into patterns of restriction that inevitably will mean reduced income.

There is a more technical reason, however, for our advocacy of extension of the act without amendment. Under the bill passed by the House, the Tariff Commission would become, in effect, the sole arbiter in the handling of agricultural matters involved in trade agreements. Other departments and agencies of the Government would appear before it to argue for this or that schedule, including the Department of Agriculture.

This constitutes a radical revision of the existing arrangement, under which the Department of Agriculture is an important and co-equal partner with other agencies represented on the two committees that perform these functions. One of these groups is the Committee for Reciprocity Information, the other the Interdepartmental Committee on Trade Agreements. The former hears petitions, complaints, and criticisms concerning the agreements, the latter decides the issues raised.

In this whole process, the Department of Agriculture plays a lively and functioning part. It takes part in reaching the decisions as well as taking the evidence, and in this process the special knowledge of farmers' problems possessed by its representatives can be of very great importance, so far as agriculture is concerned. Under the House-approved bill, on the other hand, the Department could appear before the Tariff Commission only as a supplicant.

Let me insert parenthetically, Senator, that you have now exactly that condition in relation to freight rates, and the appearance of the Department of Agriculture before the Interstate Commerce Commission certainly has not worked very well.

The CHAIRMAN. There is nothing in the bill, I suggest, that would prevent the Department of Agriculture's advising the President directly or giving its advice to the Tariff Commission.

Mr. SMITH. No, sir; but there seems to be general agreement that the effect of the bill is to give the Tariff Commission an appeal over the head of any other agency, not only of the President, to the Congress.

The CHAIRMAN. I think you are inaccurate there. The President would be in complete authority to take his advice from any agency of the Government that he wanted to. He could continue the interdepartmental committee by his own Executive order. He is the one who judges the weight of the evidence that is put before him.

Mr. SMITH. In that event, I can see no particular reason for the denomination of the Tariff Commission throughout the bill. It seems to me there must be some reason for that.

The CHAIRMAN. Except that the words, "Tariff Commission," indicate that they are specialists in tariff matters. If you want a plumber, you get a plumber. He may take some advice from somebody, but you get a plumber if you want a plumbing job done. •

Mr. SMITH. We do not believe this arrangement will be to the best interests either of farmers or of the Nation as a whole.

Finally, I should like to make the point that the 1-year extension proposed in the House bill creates uncertainty in a world where cer-

tainty is a crying need. The Senate now has before one of its committees and will, we hope, shortly consider the international wheat agreement. That agreement would cover a 5-year period.

In the slow, painful process of rehabilitating a world torn by the greatest of all wars, it is going to be necessary to give all peoples as much assurance of stability as possible. We believe that approval of the wheat agreement and extension of the Trade Agreements Act for 3 years are the kind of actions most needed now, and that the world will hail joyfully American leadership in such undertakings. Accordingly, we urge the committee to approve extension of the act for 3 years, without amendment.

I thank you.

The CHAIRMAN. Thank you very much for coming, Mr. Smith.

Mr. Lloyd Klenert, who was scheduled to appear this morning, found it impossible to stay over until this afternoon. Therefore we will include the statement he intended to make at this point in the record.

(The statement follows:)

STATEMENT BY LLOYD KLENERT, INTERNATIONAL SECRETARY-TREASURER, UNITED  
TEXTILE WORKERS OF AMERICA

The United Textile Workers of America, AFL, which I have the honor to represent, believes in and supports the Reciprocal Trade Agreements Act. At our recent tenth biennial convention in this city at the Hotel Statler, we passed a resolution which gives "unqualified support to the renewal of the Trade Agreements Act and urgently requests the Congress to take steps to renew the act without crippling amendments." I emphasize the last three words—without crippling amendments.

Our organization has every good reason to urge that the policies enunciated by this act be continued as the basis for the development of our trade relations with foreign nations. For the operation of the act has resulted in the expansion of foreign markets for the products of the United States and we have been among its direct beneficiaries. In taking this position, we are in accord with the stand of the American Federation of Labor which, in 1943, stated its support of reciprocal trade in unequivocal terms.

We support the renewal of the powers delegated in this Act because it will enable us to expand our foreign trade—and expanded foreign trade will mean an increase in jobs. We believe this is an elementary economic proposition for under reciprocal trade our importation of foreign commodities enables foreign countries, in turn, to purchase our American goods. Every exported American product means jobs for American workmen and prosperous economic conditions for our country.

The converse is true, too. Trade barriers impede not only trade, not only international prosperity, but internal prosperity as well. Let us look at Europe. There we see a continent of small states, small sovereign nations. In Europe, in an hour's drive, you can come to a new country and there you will find trade barriers. These countries sit in their own little kingdoms and put barriers up against each other. These trade barriers have not increased the well-being of the European people; have not increased the welfare of the European people. On the contrary, the barriers further hostility, suspicion, bad faith, economic competition.

When such a situation exists in this country between labor and management, we have industrial disputes—strikes. Such strikes occur also on the international scene; only we call it war. The political and economic situation in the world today is so precarious that failure by us to continue the American policy of reciprocal trade, without equivocal procedures, will indeed increase suspicions of our intentions by our friends and allies; it will increase present-day tensions; and it will upset our foreign policy which is based upon building peace firmly on stable economies which can maintain and support democratic governments in Europe.

As members of organized labor, we especially appreciate the basic approach of the Reciprocal Trade Act. We are organized for the purpose of collective bar-

gaining, which is really just another name for reciprocity. Reciprocity, under this act, merely attempts to institute the principles of collective bargaining on a world-wide basis, between nation and nation, in matters affecting international trading relations. It is an evolutionary, gradual process to lower trade bars in a reciprocal way, in a two-way street; in other words, to bargain. It means, essentially, that we will let the barriers down on this side provided country X will let the barriers down on that side, just as we work when we and our employers get around the conference table. Reciprocal trade is indeed international collective bargaining.

Our union is in an industry which faces foreign competition from England, from other countries on the continent of Europe and from the Orient. Yet we know that our industry has nothing to fear from the textile industries of those countries. I have been to Europe and I have seen, for example, the British textile industry. It is inefficient; its machinery is old; its processes are out-dated; the productivity per worker is low. They do not know the "round-the-clock" production methods we use here. We are not afraid of their competition with our modern methods and our new and constantly improving machinery.

There was a time when our industry, the textile industry, had the protection of a high tariff. This was especially true during the period of the twenties and right up to the enactment of the Reciprocal Trade Act. And what were our conditions in the textile industry? Why, throughout that period the textile industry was a sick industry, a problem industry. We workers suffered especially. When we had a higher tariff on textiles, our wages were among the lowest for all industrial workers. Textile workers did not have enough money to buy a suit of clothes, even though they produced the textiles out of which the clothes were made. We had unsteady and irregular employment. We continually faced speed-ups and stretch-outs.

Today, after operating under the Reciprocal Trade Act for over 10 years, our industry is no longer a sick industry. Indeed, it is one of the most prosperous industries in the country. Our workers now receive among the highest wages for industrial workers. We no longer fear unemployment. We just can't produce enough textiles to meet the demands of the American public and the demands of international trade.

All this does not mean that there is no need for protective measures and that we favor dropping all our tariff bars tomorrow. That is where reciprocity represents a practical procedure—it is not all-or-nothing; it represents the gradual approach to freer trade by a gradual adjustment of tariffs and trade barriers through international collective bargaining. This is not mere theory. It is exactly what happened in our experience. In those lines, where our products had to meet competition from unfair foreign production, that is, products produced by substandard labor or through unfair subsidization, etc., the machinery of the act was there to defend American industry and labor. But we are not afraid of fair competition—we welcome it. The world thrives on expanded trade and competition—fair competition—is still the life of trade. Not merely in the United States but also in the whole world.

That is why our organization is back of the Reciprocal Trade Act's renewal. The changes proposed by the House bill would undermine the proven procedure. Resort to the Tariff Commission would be an unwholesome reminder to the world of our isolationist Smoot-Hawley tariff days. Any attempt to eliminate executive discretion within standards set down by Congress in the act would be interpreted by the nations abroad as a warning that we will make agreements "with our tongues in our cheek," as every agreement will be a political football in Congress for special interests. The 1-year extension provision is a perfect illustration; as the bulk of its proponents want that clause in the hope that this year's election will result in a high-tariff Congress, which, in an off year like 1949, can without fear of political repercussions let the Reciprocal Agreements Act go into the discard. The other nations know that, just as we do.

This country had the foresight to launch the gigantic ERP to rebuild the shattered economy of Europe and restore world economic health, for their good and ours. I, for one, was proud of that. Now, this House bill threatens to withdraw with our left hand what we offered with our right hand. Frankly, that simply doesn't make sense. More important even, it doesn't make for international peace and cooperation.

If we are ever to achieve peace and unity for this country, we have to learn to work with the other nations of the world. If we have to sit down at the conference table with other nations of the world, as our unions do when they meet the

employers across the conference table, we must be able to meet them on a reciprocal basis. We cannot have the iron hand in the kid glove and say, "We have to have this done for our Nation and in return we will do nothing for you." That doesn't work in labor relations and won't work in international relations either.

We therefore urge that the Reciprocal Trade Agreements Act be renewed as an essential not only of economic prosperity and peace for our country, but of the successful solution of the great political and economic difficulties that plague our war-torn world.

The CHAIRMAN. A number of letters, statements, and telegrams were submitted for the record. They will be inserted at this point.  
(The letters, statements, and telegrams referred to follow:)

#### STATEMENT OF THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

The American Association of University Women wishes to bring to the attention of the Finance Committee of the Senate the support of the Reciprocal Trade Agreements Act which the AAUW has given that program consistently since its inception.

The AAUW has over 96,000 members, organized in 1,044 branches, scattered throughout the 48 States and the Territories of the Union. The association sponsors serious study and analysis of the problems confronting the United States in its relations with other nations, giving support to those measures which, in its considered judgment, are essential to the continued well-being of the United States.

The principle of the reciprocal trade agreements has been on the study agenda of the AAUW, and has been approved for legislative support, since the inception of the program. It has been thoroughly examined. The operation of this principle after the enactment of appropriate legislation by the Congress has been carefully observed and analyzed. It is not without significance, therefore, that the first biennial convention of the AAUW, held in April 1947 at Dallas, Tex., again voted to support the principle of reciprocal trade agreements.

This action was taken with full awareness of the demands of the American consumer, the need of war-expanded American business for increased markets, and the requirements of our national defense which could not be achieved within the framework of our national economy. It was taken in the belief that the free flow of trade was essential to economic stability and the return of peace; and that, in terms of the American constitutional system, the principle of reciprocal trade agreements as it has operated in the past has given the maximum opportunity to secure the best markets for American products and the best terms of import for commodities required either by the American consumer or the American businessman.

Events since April 1947 have served but to strengthen that conviction. The debates and arguments presented before the House Ways and Means Committee and before the House of Representatives have been thoroughly reviewed, but have disclosed no basis for change of our position. For these reasons, the American Association of University Women wishes to bring to your attention the continuing support of the association of the principle of reciprocal trade agreements, and urges your committee to maintain the principle of reciprocal trade agreements as it has operated in the past.

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#### STATEMENT OF ALLAN B. KLINE, PRESIDENT OF THE AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation favors the extension of the Reciprocal Trade Agreements Act for a 2-year period. We believe this is an integral and essential part of the international program of this Nation. Our organization, with its 1,275,000 farm families in 45 States and Puerto Rico, is vitally interested in developing a sound international program, one which will prevent the chaos and anarchism which have been rampant in the world during the greater part of the current century. This calls for courageous leadership. In our democracy the citizens look to the Congress for leadership. May they not be disappointed.

Today we are engaged in an ideological war. Many fear the basic differences may lead to armed conflict. These differences stem largely from a difference in

philosophy—ours which emphasizes the rights of the individual and his opportunities to engage in private enterprise, the other which holds the state supreme and the rights of the individual secondary. Philosophies in different parts of the world vary between these two extremes. Today many nations are in a position to veer either way. Wars breed controls. The emergencies of wars are so urgent that people relinquish their liberties to a centralized government. Most governments, having once obtained these powers, are reluctant to relinquish them—some for the sheer desire for power, others because conditions resulting from wars are so unfavorable that controls appear to be the only solution.

The country is currently spending billions of dollars with the hope of encouraging nations to adopt a democratic form of government. For example, the European recovery program recently enacted by Congress contains provisions that the European nations receiving the benefits of this plan must cooperate not only within their country, but also with other nations in removing barriers to international trade. It is recognized that freer trade is essential to the economic recovery of these nations. Perhaps it was further recognized by the Congress of the United States that it will be very difficult to have private enterprise operating within the country if the Government arbitrarily controls foreign trade. If we ourselves are to be consistent with the ideals we hold out to others, then as a nation we have no alternative but to extend the Reciprocal Trade Agreements Act. We cannot lead the other nations into a freer world economy if we do not set an example.

Today nations are choosing patterns of life and forms of government which will affect the destiny of the world for centuries to come. Once these patterns become set they will be difficult to change. The vital issue is the extent to which a nation will depend upon government control and regulation, and the extent to which private enterprise will carry on the business of the nation. We have the opportunity to affect these decisions by our leadership in the field of international commerce. Nationalistic trends in government often start with controls of foreign trade. If we lessen the likelihood of controls over foreign trade, we lessen the likelihood of government control of the domestic economy.

Since the end of the war we have expended billions of dollars in one form or another for foreign aid. Recently the Congress of the United States passed the European Recovery Act, which may eventually involve the expenditure of another \$17,000,000,000. Our organization has supported the United States policy in these things. In 1947 our export of goods and services amounted to over \$19,000,000,000 worth of products from this country. Our imports amounted to only about \$8,000,000,000, leaving a deficit of around \$11,000,000,000. Any thinking person knows that this cannot continue without disastrous results. The excess of exports over imports is a factor contributing to inflation. The only way we have a chance ever to get paid for what we send abroad is to develop foreign trade on a sound basis wherein the goods which we can produce advantageously are exchanged for the things this Nation needs, which can be produced advantageously by other countries. It is essential that we develop a policy of supplementing our exhaustible natural resources with imports of scarce materials in order to protect our national welfare.

The development of a sound foreign trade policy is one of the major problems facing this Nation. We are no longer a debtor nation. We are creditors. We must change our policy accordingly. We are no longer a nation just starting industrial development. We are the most powerful industrial nation the world has ever known. We must act accordingly. We are no longer a nation that can sit on the side lines in world politics. We have grave responsibilities in formulating world policies. We must accept these responsibilities. We simply cannot return to economic isolationism and at the same time meet our obligations as the foremost world power.

We have not had a satisfactory foreign trade policy for at least a quarter of a century. During World War I, we shipped large amounts of goods to our allies. We tried to collect the war debts in dollars rather than in goods. This failed. During the 1920's we exported goods from this Nation on a credit basis. In 1929 this came to an abrupt end. We refused to accept payments in the form of goods. During the 1930's we accepted gold for our exports. We now hold a large percentage of the world's gold stocks. During World War II we supplied materials and food under lend-lease as a contribution to the war efforts of our allies. We are now embarking upon a 5-year foreign-aid plan. This plan provides us an opportunity to get our foreign-trade house in order. We must develop a policy of accepting goods and services from other nations in return for our

exports. The reciprocal trade program will help to develop a self-sustaining, mutually advantageous international trade policy.

If we repeat the mistakes of the 1920's, and maintain a false prosperity in this country by unsound foreign trade policies, we will be laying the groundwork for another depression of the 1933 magnitude. If such a thing happens, it is likely to destroy the very foundation upon which our democracy is built. This would be very much to the liking of the enemies of democracy. In fact it is reported to be a part of their plans and secret hopes. We cannot afford to take the chance. We must face international trade problems realistically. Trade means exchange of goods. It is not a one-way street.

As the president of a great farm organization, I do not propose to be a party to sacrificing American agriculture upon the altar of trade. This program must be equitable among all segments of our economy. I believe this can be done. It will not be done unless we work at it. The reciprocal trade program is one of the practical tools that can be used to promote trade without unduly disrupting our domestic industries. It must be realized that while at one time agricultural products accounted for over 80 percent of our exports, just prior to World War II they amounted to only about 20 percent of our total exports. At the same time, agricultural commodities constituted about 50 percent of our total imports. This is a natural tendency as a nation becomes more industrialized. It suggests, however, that care must be taken to insure that the interests of agriculture be given fair consideration.

We believe the reciprocal-trade program should contain certain safeguards. One of the safeguards is the so-called escape clause, which should be included in all trade agreements. This escape clause provides that if as a result of unforeseen developments or concessions granted, imports of an article have increased to such an extent that it is causing serious injury to domestic producers, the Government may withdraw or modify the concession.

The agreements also contain provisions for quotas which are a protection against a flood of imports. Another protection as far as agriculture is concerned is contained in section 22, which is an amendment of the Agricultural Adjustment Act. This amendment gives the President authority to impose import quotas or fees on commodities covered in the act if after investigation he determines that the importation of these commodities is hindering the satisfactory conduct of domestic agricultural programs. Another very important protection is that Congress has the final authority under the trade-agreements program. It is necessary to return to Congress periodically for reenactment of trade-agreements legislation, which provides a recurring opportunity to appraise the program. This periodical review by Congress serves as a check to be sure the trade-agreements program is administered as Congress intended.

Another reason why the members of the American Farm Bureau Federation favor the reciprocal trade program is that they feel foreign trade can contribute significantly to maintain domestic prosperity, which is essential to provide satisfactory markets for agricultural products. A considerable proportion of the workers in many of our key industries are dependent upon export markets. It is estimated that in 1939 the percent of our total employment dependent upon exports ranged from 8 to 23 percent in the various industries. Contrary to popular belief, the facts also show that the protected industries are not among those paying the highest wages to workers. Foreign trade provides an opportunity for employment of a larger number of our workers in the industries where the productivity per worker is highest, and consequently wages are the highest.

The American farmer needs foreign markets. In 1947 the production of agricultural products was 35 percent above the prewar level. The increase in the production of many of our products was much greater. During the prewar period of 1934-38, we exported one-third or more of our production of cotton, tobacco, and dried fruits. About 8 percent of our bread grains were exported. In the fiscal year ended June 1947 we exported over one-third of our production of wheat, rice, and dried milk, between 10 and 25 percent of our production of dried beans and peas, condensed and evaporated milk, and cheese. We also exported between 5 and 10 percent of our production of edible fats and oils, eggs, and fruits.

During the last year the Marshall plan, 1951-52, it is estimated that we will be exporting nearly 24 percent of our bread grains, 19 percent of our dried fruits, and nearly one-third of our production of cotton and tobacco. If a serious recession in agriculture is to be avoided, it is necessary for us to develop a

sound, long-time program whereby export markets can be maintained, especially for those products which historically have been dependent upon foreign outlets. Farmers know that the type of aid furnished in the Marshall plan cannot be continued indefinitely. That is why they are so vitally interested in the reciprocal trade program. Even the farmers who do not produce the export crops have a direct interest in the maintenance of trade. If markets cannot be maintained for wheat, cotton, and tobacco, then these farmers have no alternative but to turn to the production of other crops, which will compete directly with those producers now engaged in supplying the domestic market.

In conclusion, may I again reemphasize that the American Farm Bureau Federation earnestly requests the Congress of the United States to extend the Trade Agreements Act for a 2-year period. We believe it is in the best interest of our domestic economy, as well as being an absolute necessity in dealing with the present international situation.

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[Telegram]

NEW YORK, N. Y., June 1, 1948.

Senator EUGENE D. MILLIKIN,  
*Chairman, Senate Finance Committee,*  
*Senate Office Building, Washington, D. C.:*

This association urges Finance Committee's favorable action on H. R. 6556 with no changes. One-year extension of the Trade Agreements Act provides necessary period for congressional review of entire United States foreign trade policy and should make it probable that adequate and well considered legislation can be enacted by the next Congress which will coordinate the several now-pending programs. Procedures in this bill do not interfere with our foreign relations in making trade agreements but merely changes our internal procedures for consummating them and places responsibility of determining the effects that tariff rate and regulations changes will have on United States business with the Tariff Commission where it has always belonged. If international considerations require disregarding the Tariff Commission's recommendations then the Congress should share responsibility with the President as provided in H. R. 6556. We request that this telegram be included in the records of public hearing on the bill now being held by the Finance Committee.

AMERICAN GLASSWARE ASSOCIATION,  
 H. L. DILLINGHAM, *Secretary.*

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COMMITTEE ON PUBLIC AFFAIRS,  
 June 1, 1948.

Mr. SHERWOOD B. STANLEY,  
*Clerk, Senate Finance Committee, Washington, D. C.*

DEAR SIR: Replying to your telegram, advising that schedule of hearings on H. R. 6556 had been closed but that you would be glad to insert a statement in the record, I would advise that the Committee on Public Affairs believes that a renewal of the reciprocal trade agreements in the same form and for a 3-year period is essential to the restoration of world trade on a stable basis without which the long-range objectives of the European Recovery Act cannot be accomplished.

At a time when the restoration of confidence and cooperation throughout the world is vital to prevent a third world war, it would be tragic if much of good which the European Recovery Act is beginning to produce would be undermined by a radical change in our trade-relations policy with year-to-year agreements subject to the delays and uncertainties of congressional approval.

The removal of the Tariff Commission from the proceedings of the interdepartmental committee would under H. R. 6556 eliminate an important safeguard which has in the past assured that all aspects of national interest be given full consideration.

When one considers the previous unsatisfactory record of the Tariff Commission culminating in the Smoot-Hawley Act with retaliatory measures abroad and stagnation of world trade in contrast to the progress in world trade under the reciprocal trade agreements, it would appear most unwise to make any radical

changes in the trade relations with those on whose cooperation we must count to halt Soviet expansion.

Sincerely,

FREDERICK C. MCKEE,  
Chairman, Committee on Public Affairs.

STATEMENT OF E. S. HALL, FARMINGTON, CONN., AUTOMOTIVE ENGINEER AND PATENT ATTORNEY, ON THE RECIPROCAL TRADE AGREEMENT PROGRAM IN RELATION TO BUSINESS

Your problem, today: (1) H. R. 6556, as is, or (2) amend it to continue and improve the present reciprocal trade agreement program, and for a longer term.

More fundamentally, to "protect," or not to "protect"—that is the question. Whether H. R. 6556 is a better answer than the existing procedure, or a worse one. The right answer, now, is the one most beneficial to the country as a whole. And the pay-off comes in November.

It is easy to see how a tariff reduction might injure or close an industry we know. Naturally we want to avoid such action, and we fly to "protect" such an industry by keeping high tariff walls around it, but "protection" is a two-edged sword.

Who pays the tariffs? We do. Economists, from Adam Smith to those of our own day, agree that "protection" is phony. Tariffs add to our prices and help to create an unnaturally high price level here, relative to the levels abroad. In effect, by "protection," we depreciate our dollars for ourselves, and leave them full-sized for others. Thus we upset our trade relationships, world without end. We cannot get something for nothing. We make no money in commerce by preventing it. We pay the tariffs, thrice over—in higher prices, by blocking our own trade, in war.

The inconsistency behind our taxation is nowhere better illustrated than by H. R. 6556 in relation to income taxes and excises. Mr. Gearhart would like to repeal the sixteenth amendment, believing—and rightly—that it contains the poison which is killing our free-enterprise system. He would abolish the income tax and depend on a general manufacturers' excise, thus penalizing production. Then, in the next breath, he would "protect" production by choking the reciprocal trade program.

Yet, is this inconsistent? As long as we tax business income, piling visible and hidden sales taxes into every price in the land, "protection" is necessary. But if we could all start from scratch—from the same tax-free base, with world-wide price levels more or less in adjustment we would not cry for "protection." With our tools (capital) and our skill, we could take on all comers in free competition, and win on merit.

The idea that tariffs maintain high wages is a delusion. Tariffs, like strikes, jack up the cost of living more than they raise wages, thus reducing real wages. Both tariffs and strikes are part of the inflationary process, sucking the value out of our dollars. Our standard of living is higher, not because of "protection," not because of the collectivism of organized labor, but because we have better tools (more capital) by which we can produce more efficiently—more goods and more services at lower prices with less human effort. More new wealth with less work—that's what we mean by a higher standard of living. In other words, we are happier in America because we have had, and still have, to some extent, the capitalist system of free private ownership of the tools of production.

We ought to have faith in that free system and strive to improve it. Instead, we are taxing it out of existence. We tax, as directed by Karl Marx, to penalize thrift and destroy free enterprise. We tax to prevent saving capital and the increase of our tools, thus slowing the rise in our standard of living. We tax to stop new business from starting. We tax to sabotage our defenses. We tax our business. We tax our commerce. We tax ourselves into more and more socialism. The unconscious fellow-travelers are more dangerous to us than the well-known Reds. And the most vicious fellow-traveler of them all, and the most treacherous, is the one we begat, ourselves—that six-legged monstrosity, the internal revenue code, of which the "protective" tariff may well be the leg with the wickedest kick.

Corporate- and personal-income taxes; social security, gift and inheritance taxes; excise taxes and tariffs—who pays all these taxes? We do. We, the



people, the natural persons—we pay all the taxes. We cannot “let George do it.” Business does not and cannot pay taxes. It only collects them from us. And it always will, in spite of Vivien Kellems, bless her stout heart, who this time, unfortunately, is battling the problem from the wrong end.

We deceive ourselves and seek to get votes with the false idea that by taxing business profits we lighten the personal tax load. The fact is the opposite. Taxes on corporate profits are paid by the people, by you and by me, partly in lower wages and dividends, largely as successive sales taxes, piling up and hidden in tax-inflated prices of food, clothing, housing, everything we buy. In taxing profits, we hurt the little man most—we deal from the bottom of the deck.

With one hand we keep up tariffs to “protect” profits, and with the other we confiscate profits with progressive taxation. If we would untax profits, we would need no “protection” from the “cheap labor” abroad. We know, if we think, that “cheap labor” is expensive. No slave labor system can compete successfully with the production of free men working for themselves, and owning themselves and the tools they are using. No socialized common poverty of forced labor under “planning” and “price control” can hold a candle to what we can do as a free people producing for profit in a free market with the incentive and responsibility of private ownership.

The hard-working leaders of the Ways and Means Committee have been too busy wrestling with a hundred tax problems to have time to stop, think, and see in 10 minutes, the easy—the singular solution. Months of closed sessions on corporate taxation, social security, general revision, reciprocal trade—months of hard labor, mostly for nothing—months, which might have been saved by a sober look at the right answer: Cut out bad taxes now and win.

Untax our business. Untax production. Make economic distribution both fair and complete. Bring prices back to normal, and govern the price level by keeping the rate of production of “money” in step with the rate of production of net new wealth. Then, indeed, we shall want and need no “protection.”

The economic process consists of production, distribution, and consumption. We can produce a high standard of living for all of us. We can consume; there are no limits to the goods and services we want. But distribution is neither fair nor complete. Because it is not fair, we have strikes. Because it is not complete, we go “boom and bust.” Because it is neither fair nor complete, we have to have tariffs to “protect” us from others across the seas, who similarly stew in their own juices behind their iron curtains. “Protection”—its wonderful.

The trouble all starts from faulty distribution. We distribute entirely in money. Distribution is an accounting process. Bookkeeping also reflects and controls our human relationships—our private ownership—whether we have slavery or freedom.

By investing your money, you own your shares of the common assets and earnings of the business. You own the works, but of course, you do not own the workers. You did not and cannot buy skill, or time, or the products thereof which is life itself, for the worker cannot divest himself of this skill, his time, or his life, to transfer them to you. He can only invest them in the business, in similar fashion to the way you invest your money.

Wages are the price of the work done—a commodity—the product of skill applied and time spent. Like any other price, wages are best adjusted by competition in a free market, i. e. supply and demand. Wages never seem high enough relative to prices because wages are only the cost portion of the employment relationship. Flexibility, the living element of chance, is missing. Wages contain no equity return on the investment of the primary capital asset, life.

By investing your life, as an employee in management or labor, you own your personal share of the living assets of the business. You measure your personal ownership by your production—by your wages earned. You have the same ownership rights, responsibilities, incentive, dividend, and vote, which you would have had as a common stockholder by investing the amount of your last year's wages in the material assets of the business.

Our failure to understand personal ownership and to acknowledge it in our accounting and taxing systems, is the bug in our economic machine. As long as we lack that understanding—as long as we assume that the common ownership is the only ownership in the business—we are trying to operate a wage-slave system. This is the basic cause of the labor problem. This is the reason why the liberals think they want to jump out of the wage-slave frying pan,

into the fire of total slavery under socialism, facism, nazism, communism—whatever you call it.

If we should recover from our economic sickness, we must first remove the cause: faulty accounting practice. And it must follow, as day follows night, that once we remove that cause by learning to keep books properly, we can, and we shall, recover completely. We shall have no more strikes, and we shall grade the business cycle into a highway to heights of prosperity undreamed of in any planner's philosophy.

As we all set up our books to recognize personal ownership and to make distribution both fair and complete, business will run with no strikes and no depressions. In our economic republics, with the votes distributed according to ability, we can run business directly as shareholders (instead of having to use our political majority to drive government to control business). Bureaucracy and socialism will dry up and blow away. Government costs will come down.

To induce all business, as of July 4, 1948, to adopt the right accounting practice, make all business tax-exempt. Cut out the Karl Marx taxes, now. Leave the code clean and brief, as specified by Adam Smith in 1776.

Adam Smith believed in freedom—free enterprise, free production, free competition, free prices, free trade, free from taxation. In concluding *The Wealth of Nations* he expressed in some of the following and many more words these sound specifications of the ideal tax system: "The people should be taxed in proportion to their incomes, at the time and in the manner most convenient for them. The tax should not require a great army of officers whose salaries would eat up the greater part of the revenues; nor should it obstruct industry; nor discourage business from employing the multitudes; nor set up temptations to evade, with ruinous penalties for evasion; nor require frequent and vexatious examinations by tax gatherers."

"We have done those things which we ought not to have done, and we have not done those things which we ought to have done, and there is no health in us." Nevertheless, our code, simplified, cleansed of the Karl Marx taxes, would become, again, the ideal tax system as specified by Adam Smith.

1. Abolish all corporate income taxation. Place all kinds of business and Government organizations on the same tax footing—tax-exempt—in return for using a standard system; trustee's accounting. Said the general auditor of the Ford Motor Co.: "That's easy. We could change our accounting to that, overnight."

Tax regulations must define business expense, including: rent, overhead, maintenance, reserves for depreciation and obsolescence at replacement levels, materials, research and development, advertising, wages and salaries, travel, interest, preferred dividend, etc. After expense, distribute all monetary profits, before taxes, to the common and personal owners of the material and human assets of the business, respectively, the dividend spread over the money invested and the year's pay roll as the measure of the life invested, and payable partly in cash and partly in new taxable securities in lieu of the cash plowed back into the business for growth. (Payment of part of the dividend in new securities, stabilizes book value, provides for seniority and retirement, tends to decentralize ownership thus reversing the process of socialization, and makes bureaucracy obsolete thus reducing the size and the cost of government.)

2. Abolish social-security taxation; unemployment, retirement, and old-age taxation; and the millions of useless accounts. Extend direct benefits to all who are unable to earn because of accident, disease, old age, the care of children, or social dislocations. Thus avoid dependency allowances in taxing personal incomes.

3. Having made the distribution of personal incomes complete and just, cut out brackets. Abolish Marxist progressive income taxation. Return to Adam Smith's proportional taxation. Collect, by withholding, the flat-rate tax on gross personal incomes. Business keeps the accounts, collects the revenues, and files the returns. Taxing the national income, the broadest tax base, permits the lowest rate. At present a flat rate of 20 percent would bring in \$44,000,000. To govern the business cycle, make the rate automatically adjustable. If prices are rising, raise the rate and retire the debt. If prices are falling too rapidly, cut the rate.

4. Carry forward net capital losses. Tax net capital gains, gifts, and legacies, as personal income, at the same flat rate.

5. Use excise taxes wisely, where the production can stand the penalty, mostly for products of dubious social value.

6. After untaxing our business—having thus cut the hidden sales taxes out of our prices—untax our commerce also, toward world-wide free trade and peace.

Untax free enterprise. Untax production. Untax our prices. Govern the price level—then, untax our commerce. Abolish wage slavery. Enfranchise the people in economics. Wash up bureaucracy. Stop communism. "Let freedom ring" in the Voice of America. Push the reciprocal trade program to its ultimate conclusion: World-wide free trade and peace. When the world becomes one big customs union, with or without world government, war will become obsolete. The best way to advertise and extend freedom to all mankind, is to have more freedom at home, a free economy and free trade.

He who will use his leadership to accomplish this American program will get all the votes in the world worth having; the votes of all businessmen—profits untaxed; the votes of all employees and stockholders, as each receives what he earns, in full; the votes of the industrious and thrifty—ability no longer discouraged by brackets; the votes of the enterprisers as they find venture capital for starting new business; the votes of dependents who benefit, directly, from an honest social-security system; the votes of all who believe in work, good sportsmanship, honesty, freedom, and life; the votes of all loyal and thinking Americans; the votes of all men of good will.

Ask Mr. Knutson to do it now, and win in November, forever and ever. Amen.

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STATEMENT BY THE NATIONAL BOARD OF THE YOUNG WOMEN'S CHRISTIAN ASSOCIATIONS ON BEHALF OF THE RENEWAL OF THE RECIPROCAL TRADE AGREEMENTS PROGRAM

The National Board of the Young Women's Christian Associations has supported the reciprocal trade agreements program since its inception in 1934. We have favored each extension of the program after careful study, and have sent informative material to YWCA's throughout the country. At the most recent national convention of the YWCA's of the United States of America in March 1946, it was voted that:

"We will promote and support action by our Government \* \* \* to follow national trade policies which conform to the principles proposed as a basis for an International Trade Organization so that there will be the freest possible flow of trade among all nations."

We now wish to urge favorable action by the Senate Finance Committee and by the Senate to extend the Trade Agreements Act in its present form until June 12, 1951. These are our principal reasons:

1. Since the United States is the dominant economic power in the world, our action will set standards for world economic cooperation and development. Mutual reduction of artificial trade barriers and discriminatory practices promotes the exchange of goods; expanding multilateral trade helps each country achieve high levels of production and consumption; good living standards are necessary for world political stability and peace. The reciprocal trade program, although never fully tested under normal conditions, has increased our trade with nations participating in it. If the United States fails to extend the Trade Agreements Act at this time, if it is restricted in its operation, or if it is extended for only a limited period, other nations will have cause to doubt the intentions of the United States.

2. Planning now for the return of normal conditions of trade is essential to the successful operation of the European recovery program. The report of the 16 nations participating in that program recognizes the necessity of reducing barriers to trade. Europe needs multilateral trade for efficient production. Although at present the nations of western Europe have few goods to send us, this is an abnormal condition. If these nations know that they will be able to export to us, to balance their imports when more normal conditions return, their production and recovery will be stimulated. Otherwise, continued loans by the United States may be needed to prevent a collapse of western Europe.

3. The successful operation of the International Trade Organization requires mutual and reciprocal efforts to reduce barriers to trade. Renewal of the Trade Agreements Act will show our intentions to carry out the principles we have espoused. This action is also needed in order to extend to other countries the 23-nation agreement on tariff reductions reached at Geneva in 1947.

4. Our productive capacity is still being used to the full because of pent-up demands for goods in our own country and because of the operation of the European recovery program. Preparation for more normal conditions should be made now, in order to keep our future production and employment high. Large-scale production for both domestic and foreign markets will keep our unit costs of production low, and thereby benefit the consumer.

5. The United States needs now and will continue to need essential materials not available in this country. These imports will help balance our exports but will not do the whole job. Also needed are goods produced better or more efficiently abroad, with concentration by American industries on their most efficient production. This would enable American consumers to purchase goods at fair prices.

6. The above reasons show why extension of the Trade Agreements Act will benefit the women and girls in the YWCA. We have a vital stake as consumers seeking high living standards, and as workers needing a high level of production and employment. We have a deep interest in promoting the peace of the world by every possible means. In this we are impelled to action by our duties as American citizens, by our deep religious convictions, and by our membership in the world-wide YWCA movement.

(The following letters, referred to by Mr. Clayton on p. 29 were received for insertion in the record:)

THE SECRETARY OF THE TREASURY,  
Washington, June 2, 1948.

HON. EUGENE D. MILLIKIN,  
Chairman, Committee on Finance,  
Room 310, Senate Office Building, Washington, D. C.

MY DEAR SENATOR: Your committee has under consideration H. R. 6556, a bill to extend the authority of the President under the Reciprocal Trade Agreements Act (section 350 of the Tariff Act of 1930, as amended). The bill purports to extend the reciprocal trade agreements authority in the Executive for an additional period of approximately 1 year, but in the judgment of this Department its provisions are such as to disrupt the present smoothly operating interdepartmental machinery and to render the reciprocal trade agreements program unworkable.

Under existing law, when the negotiation of a reciprocal-trade agreement is undertaken, the procedure which is followed pursuant to Executive order is substantially this:

(1) The Tariff Commission makes an analysis of the facts pertaining to each import item under consideration for possible concessions by the United States. Simultaneously the Department of Commerce makes a similar factual analysis with reference to American exports on which we seek reciprocal concessions. While these two studies are going on, the Committee for Reciprocity Information, made up of representatives from the Tariff Commission and the Departments of State, Commerce, Agriculture, and the Treasury, and the National Military Establishment, holds public hearings at which the views of interested business men and others are received regarding the proposed trade agreement.

(2) Upon the conclusion of these studies and hearings, the interdepartmental Committee on Trade Agreements correlates and integrates the results in its item-by-item study of the commodities under consideration for inclusion in the proposed agreement. It then submits its recommendations to the President who in turn instructs the United States representatives on the position to be taken in the forthcoming reciprocal-trade negotiations and limits the authority of the American negotiators therein. The membership of this interdepartmental Trade Agreements Committee consists of representatives from the Departments of State, Agriculture, Commerce, Labor, and the Treasury, as well as the National Military Establishment and the Tariff Commission. It is charged by the President with representing "the interests of American industry, labor, and farmers, and American military, financial, and foreign policy."

Under this time-tested procedure which, in substance, has been followed since the inception of the reciprocal trade program in 1934, a considerable number of agreements have been successfully consummated with benefit to American industry, labor, and agriculture in consonance with the military, financial, and foreign policy of the United States. It has frequently been said, and I believe without successful contradiction, that no American industry has been seriously injured

as a result of trade agreements reached under the existing machinery during its 14 years of operation.

The bill before your committee would make several undesirable changes in this procedure:

(1) It would in effect abolish the Committee for Reciprocity Information and, according to the majority report of the Committee on Ways and Means, make the Tariff Commission the sole agency for conducting public hearings. Thus it would deprive the other interested Departments both of the opportunity to participate in taking the testimony of the trade and the public and of the responsibility for judging the weight of that testimony in making the initial recommendations to the President.

(2) The bill provides that agreements containing concessions beyond the recommendations of the Tariff Commission must be placed before the Congress and the Congress given a period of sixty days of continuous session during which to act. This, together with the apparent requirement that the Tariff Commission must investigate and analyze all the facts bearing on each import item under negotiation would probably result in objectionable delays and render the preparation and negotiation of such agreements ineffective. Foreign uncertainty regarding the extent of the Executive authority to grant concessions on any item would contribute substantially to the ineffectiveness of the program.

(3) The interests of American industry, labor, and farmers and of American military, financial, and foreign policy which now are jointly and equally the responsibility of the Trade Agreements Committee members in the negotiation of reciprocal trade agreements would be subordinated to the two tests under which the Tariff Commission is enjoined to carry out its functions, namely, "causing or threatening serious injury to domestic producers of like or similar articles or impairing the national defense." The Tariff Commission would be the sole judge of these two tests, and having on this basis set the limits, neither the interdepartmental committee nor the President would in practice be free to act beyond those limits.

The foreign policy of the United States—political, economic, and financial—would in effect be disfranchised by the procedures set up in the proposed bill.

International financial policy is the responsibility of the National Advisory Council on International Monetary and Financial Problems, an interdepartmental body of which the Secretary of the Treasury is the chairman. The most important function of the council is to coordinate the policies and operations of all United States agencies, as well as of our representatives on the International Bank and Fund, to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange, or monetary transactions. International financial policy is intimately tied up with foreign commercial policy, as the Bretton Woods Agreements Act clearly recognizes. The successful conduct of international affairs requires maximum coordination of financial and trade matters. Yet this bill divorces interested Government agencies, such as the Treasury Department, which is charged by law with primary responsibility for our international monetary and financial policy, from participation in the making of the recommendations to the President which in fact determine the content of agreement in this important phase of our international trade policy.

It is our view that the changes proposed in this bill would so seriously hamper the successful consummation of reciprocal trade agreements as in effect to destroy the flexible weapon of negotiation which the Executive has had for 14 years, and vest such powers in the Tariff Commission under narrow policy standards as to make impossible the effective negotiation of trade agreements in the future. Accordingly, it is the recommendation of this department that Congress substitute for this bill a simple resolution extending the existing statutory authority for 3 years, as recommended by the President.

Very truly yours,

JOHN W. SNYDER,  
*Secretary of the Treasury.*

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THE SECRETARY OF DEFENSE,  
*Washington, June 1, 1948.*

HON. EUGENE D. MILLIKIN,  
*Chairman, Committee on Finance, United States Senate, Washington, D. C.*

DEAR SENATOR MILLIKIN: It is my understanding that the Senate is considering H. R. 6556 which extends and changes in part the Reciprocal Trade Agreements

Act. The National Military Establishment is of the opinion that this act should be renewed. It is our feeling, however, that the provision of H. R. 6556 which delegates to the United States Tariff Commission the power to fix the upper and lower limits to the negotiated rates is unwise. National defense is given as one of the criteria for fixing of the negotiated rates and it is our opinion that the present arrangement which places the determination of national defense in the hands of an interdepartmental committee, upon which the National Military Establishment is represented, is to be preferred.

The National Military Establishment does not seek for itself the sole power to make this determination and it does not think it appropriate that it should be given solely to another agency not immediately concerned with national defense.

I am attaching a more detailed statement on this subject which the Munitions Board of the National Military Establishment prepared at my request for submission to the Honorable Bertrand W. Gearhart, chairman of the Tariff Subcommittee of the House Ways and Means Committee, when such committee was considering the renewal of the Reciprocal Trade Agreements Act.

Sincerely,

(Signed) James Forrestal.  
(Typed) JAMES FORRESTAL.

Enclosure (1).

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THE SECRETARY OF DEFENSE,  
*Washington, May 4, 1948.*

HON. BERTRAND W. GEARHART,  
*Chairman, Tariff Subcommittee, House Ways and Means Committee,  
House of Representatives, Washington, D. C.*

DEAR MR. GEARHART: The National Military Establishment is of the opinion that the Reciprocal Trade Agreements Act should be renewed. It is our feeling that such a step is in the interest of our national security, both in the immediate and in the long-term sense.

I am attaching a more detailed statement on this subject, which the Munitions Board of the National Military Establishment has prepared at my request.

Sincerely,

/s/ JAMES FORRESTAL.

Enclosure (1).

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#### IMPORTANCE OF RENEWAL OF TRADE AGREEMENTS ACT IN RELATION TO NATIONAL SECURITY

(Statement prepared by Munitions Board)

Renewal of the Reciprocal Trade Agreements Act is significant, in both immediate and long-run terms, to our national security.

1. Continued authority to reduce United States tariff rates on strategic materials is essential to conserve our dwindling domestic reserves.

World War II constituted a tremendous drain on the resources of the United States. So great was the drain that many of our resources which are absolutely needed for the successful prosecution of war are seriously depleted. Our national safety demands that materials which cannot be easily and quickly supplied from domestic sources be stock-piled. As you know, we have developed a stock-pile program, but it is dependent to a large extent on the development of foreign sources of supply. Such a development not only utilizes the plentiful resources of the other parts of the world but conserves our own resources for use if such supplies are cut off by the exigencies of war.

Many commodities are already in short supply and desperately needed not only for stock-piling purposes but also to take care of the needs of an industrial machine as it struggles to fulfill its world-wide commitments.

As a corollary, the United States should attempt to secure elimination of export tariffs or other restrictions which impede the imports of materials by us, necessary for continued industrial operations and stock piling.

2. Continued authority to make trade agreements is important to a strong and balanced national economy.

The NME considers that a strong industry in peacetime is its greatest defense in time of war. Without its large industrial capacity and its large number of

trained and skilled workers, the United States could not produce the new types of equipment needed by the military forces with the necessary speed.

In war, the safety of the Nation is dependent on an industrial capacity, great enough in size and of the appropriate type, that can be mobilized quickly and effectively for the production of supplies and equipment needed by the armed forces. The trade-agreement program places in the Nation's hands a flexible instrument which adds to the industrial capacity of the Nation through the development of foreign markets, and permits the strengthening of those industries which will be most needed if war should strike.

For example, the trade-agreement program strengthens those industries such as the automobile industry, the machine-tool industry, and the radio industry which are in part dependent upon a peacetime export market. Many of these industries which normally export are of the greatest importance from a standpoint of war potential.

There are some cases—synthetic rubber is the best example—where from a military standpoint it is desirable to make sure that an industry survives during peacetime to stimulate technological developments and maintain a nucleus of management and technical skills even at some cost to our national economy. But these exceptional cases should not be taken as the rule and the interdepartmental organization which administers the trade-agreement program can consider the claims for tariff protection of each individual case.

The present shortage of dollar exchange throughout the world reduces the ability of foreign countries to pay for our goods through normal channels. The restoration of a better balanced world economy is, however, a most important present goal and as that goal is approached, the continued authority to make new trade agreements will again become increasingly important to the export industries of the United States.

3. Continued authority to make trade agreements is an assistance to countries attempting to maintain their independence.

The United States is at present the foremost proponent of the expansion of multilateral world trade on a nondiscriminatory basis. The trade-agreement program, which allows us to offer access to our large market on better terms in exchange for access to other markets is the chief means by which this policy is implemented. Without it world trade might easily deteriorate into a maze of discriminations. A healthy world economy is one of the best ways to maintain peace.

The trade-agreement program, past, present, and continued in the future, is thus of very considerable importance as an aid to countries who would otherwise be easy victims of a country attempting economic expansion. Our national security is certainly promoted by a policy which maximizes the world area which plays the foreign-trade game according to the rules which we sponsor.

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DEPARTMENT OF LABOR,  
OFFICE OF THE SECRETARY,  
Washington, June 2, 1948.

The Honorable EUGENE D. MILLIKIN,  
*Chairman, Senate Finance Committee,*  
*Senate Office Building, Washington 25, D. C.*

DEAR SENATOR MILLIKIN: The Department of Labor for years has been interested in the operation of the reciprocal trade agreements program. For over a year, the Department of Labor has been one of the executive departments participating directly in the program, pursuant to Executive Order 9832, dated February 25, 1947, through the Interdepartmental Committee on Trade Agreements. I am taking this occasion to communicate to you the Department's position with respect to renewal of the Reciprocal Trade Agreements Act as proposed by H. R. 6556, now pending before your committee.

Workers and their families in the United States have a basic interest in the continuation of the trade-agreements program. High levels of world trade mean high standards of living. One of the important reasons for our own high living standard is the high level of trade that we maintain, without trade barriers, among our 48 States. Downward negotiation of trade barriers, on a studied and reciprocal basis, will encourage the healthy flow of trade on a world-wide basis. Extension of the General Agreement on Tariffs and Trade, concluded at Geneva on October 30, 1947, to other countries will make available to labor at home those materials and products that can be produced most efficiently abroad,

and will enable workers in foreign countries to continue buying what we produce here in the United States.

In the opinion of the Department of Labor, the provisions of H. R. 6556 will make it substantially impossible for the executive arm of the Government to achieve any significant extension of the area of reciprocal-trade concessions. On the one hand, the bill contracts the term of the program from 3 years to 1, a substantial lessening of time for carrying on a process which involves negotiations that require elaborate preparation and are necessarily time consuming. On the other hand, the bill changes the procedures for the negotiation of the agreements in such a way as inevitably to extend the time required to prepare for and negotiate the agreements. The 1-year extension, coupled with the change in procedure, might well make it impossible for any new agreement to be consummated during the life of the renewal.

The procedures now in effect for the negotiation of trade agreements provide adequate safeguards against action that will injure American interests. The making of decisions within the interdepartmental machinery for the negotiation of trade agreements has been cautious, even conservative, deliberate, and remarkably well-informed. The judgment that has been exercised in assessing the value of foreign concessions against those which we propose to make has been expert.

H. R. 6556 would remove the Tariff Commission member from this interdepartmental machinery, despite the fact that the presence of the Commission member in this judgment-making process has been important to the formulation of decisions and of sound advice to the President. As is the case in many areas, notably in the area of labor relations, discussion around the table is an essential feature of good decision making. In the trade-agreements program, it is only by round-the-table processes within the executive arm of the Government, among all of the agencies interested in the program, that sound and expert recommendations can be arrived at. There are many facets to a trade-agreement negotiation: The concessions we make; the concessions we receive, both directly and indirectly; the provisions that we negotiate with respect to quotas, exchange restrictions, rules of nondiscrimination, and other matters. While more weight is inevitably given to some considerations than to others in an individual negotiation, all must be considered together in the formulation of judgment on a proposed agreement. H. R. 6556 separates one factor from the others and, by withdrawing from the committee's deliberations one of the members best equipped technically, makes substantially more difficult the formulation of effective judgment on the over-all balance of an agreement.

The withdrawal of the Tariff Commission member, the requirement of special Tariff Commission procedure which would duplicate much of the work now performed in each negotiation by the Committee for Reciprocity Information, and the delays that would occur because the Tariff Commission's actions must take place as a separate activity, duplicating but preceding the deliberations and actions of the Trade Agreements Committee, will make it difficult for the Trade Agreements Committee to function effectively. The Trade Agreements Committee is the only instrument in the trade agreement process in which the Department of Labor participates. To weaken this instrument would, in our opinion, weaken the broad base upon which the administration of the trade agreements program now rests. The provision for Tariff Commission hearings is not a satisfactory substitute: it does not provide adequate opportunity for consideration of labor's stake in the tariff-setting program. The effect of our trade agreements program upon the well-being of labor in the United States is probably the single most important consideration in the negotiation of agreements. This is the position that has been taken by virtually every witness who has appeared before congressional committees on the subject of tariffs for decades. The Department of Labor believes that the well-being of workers and their families in the United States can best be served by extension of the present Reciprocal Trade Agreements Act for another period of 3 years.

It has been impossible to effect clearance of this letter with the Bureau of the Budget prior to its transmittal to you.

Yours very truly,

JOHN W. GIBSON,  
*Acting Secretary of Labor.*

The CHAIRMAN. We will now recess until 9:30 in the morning.  
(Whereupon, at 5 p. m., a recess was taken until 9:30 a. m. the following day.)



# EXTENDING AUTHORITY TO NEGOTIATE TRADE AGREEMENTS

WEDNESDAY, JUNE 2, 1948

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 9:30 a. m., in room 312, Senate Office Building, Senator Eugene D. Millikin (chairman) presiding.

Present: Senators Millikin (chairman), Butler, Martin, George, and Connally.

The CHAIRMAN. The hearing will come to order.

The first witness today is Mr. Ryder, the Chairman of the Tariff Commission.

You may proceed, sir.

**STATEMENT OF OSCAR B. RYDER, CHAIRMAN, UNITED STATES TARIFF COMMISSION; ACCOMPANIED BY ED MARTIN, CHIEF COUNSEL; AND BEN DORFMAN, CHIEF ECONOMIST, TARIFF COMMISSION, WASHINGTON, D. C.**

Mr. RYDER. Mr. Chairman, as I understand it, it is your desire that I give the committee a comparison of the present procedure in making trade agreements and the procedure required under H. R. 6556.

To begin with, I wish to state that I am always glad to appear before the Committee on Finance as it is one of the specified duties of the Tariff Commission to supply information to this committee. I want to stress, however, that in appearing before you I appear entirely in my personal capacity. I can only give my personal views and with some of these views there might be disagreement among the members of the Tariff Commission.

My only desire is to be as helpful to you as I can. I have prepared only a brief statement dealing with the change in procedure required by H. R. 6556, without going into the effect of the changes, or into any changes in the underlying philosophy which may be involved.

For an understanding of what I have to say as to procedure, it will be necessary to keep clearly in mind the part played by the Interdepartmental Committee for Reciprocity Information and by the Interdepartmental Trade Agreements Committee and its country subcommittees.

First, as to the Trade Agreements Committee, section 4 of the Trade Agreement Act prescribes that before concluding any agreement un-

der the act the President shall seek information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce, War and Navy, and from such other sources as he may deem appropriate.

It was for the purpose of securing the required information and advice in the most effective way and at the time when it could be most useful that the Trade Agreements Committee was established by the Secretary of State shortly after the passage of the Trade Agreements Act in June 1934.

In February 1947 this committee was formalized in Executive Order 9832 and made to report directly to the President.

The CHAIRMAN. What comparable organization was there prior to the organization of the Commission in its present form and under its present authority?

Mr. RYDER. The Trade Agreements Committee was originally established by a letter of the Secretary of State to the various departments asking each to designate someone to serve on that committee. I am not certain whether there was any other action formalizing this committee before Executive Order 9832.

The CHAIRMAN. Was there a predecessor commission prior to the Tariff Commission?

Mr. RYDER. You are talking about the Tariff Commission?

The CHAIRMAN. Yes. Perhaps I misunderstood. Would you mind reading the preceding sentence or two, Mr. Ryder?

Mr. RYDER. It was for the purpose of securing the required information and advice as required by the act in the most effective way and at the time that it could be most useful that the Trade Agreements Committee was established.

The CHAIRMAN. It was my mistake. I was confusing it with the Tariff Commission.

Mr. RYDER. By the Secretary of State, shortly after the passage of the Trade Agreement Act in June 1934. In February 1947 this committee was formalized in Executive Order 9832 and made to report directly to the President. As at present organized, it is composed of members not only from the agencies specifically mentioned in the law, the Tariff Commission and the Departments of State, Agriculture, Commerce, War, and Navy, but also from the Departments of Treasury and Labor.

The CHAIRMAN. That makes how many, Mr. Ryder?

Mr. RYDER. That makes a total of eight.

Under this bill, H. R. 6556, the Tariff Commission will cease to have a member on this committee. Presumably, however, with this change the committee would be continued.

The primary function of the Trade Agreements Committee under existing procedure is to correlate and integrate the information regarding any proposed trade agreement supplied by all the agencies represented on the committee, and to submit to the President recommendations based on such information and embodying the conclusions reached by the committee after a thorough interchange of information and views between its various members.

The secondary function of the Trade Agreements Committee is to direct the trade agreements program in all its aspects, subject to approval of the Secretary of State and the President on major ques-

tions of policy. Thus in the trade agreements program as at present administered, the Trade Agreements Committee is the clearinghouse or, it might be called, the nerve center of the trade agreements program. Everything flows to it and from it. In its work it utilizes the services of the Committee for Reciprocity Information and the services of the interdepartmental subcommittees known as country committees, one for each country with which an agreement is made or is proposed.

Under present procedure, the country committees are composed of experts from the Tariff Commission and from the Departments of State, Commerce, and Agriculture. In addition, experts from other Government agencies are called on when matters of interest to them are being considered.

Under H. R. 6556 the Tariff Commission would not be represented on this subcommittee. Presumably the other agencies would continue to be represented on it.

I now come to the Committee for Reciprocity Information which under present procedure has the function of obtaining information from producers, importers, exporters, and private organizations and individuals regarding proposed trade agreements and regarding the operation of agreements already in effect. On it are members from the Tariff Commission and the Departments of State, War, Navy, Commerce, Agriculture and the Treasury.

To a large extent, its members are also members of the Trade Agreements Committee. The committee receives briefs and holds public hearings on each proposed trade agreement and sifts and summarizes the information thus obtained for use of the various country committees of the trade agreements committee.

The CHAIRMAN. We have had the statement several times to the effect that the members of the committee you are now describing are also members of the Interdepartmental Committee. What is the controlling factor as to whether they are or are not members of the Interdepartmental Committee?

Mr. RYDER. I could not answer that. As a matter of practice it is usually true that the Department of State representative on the committee, the Tariff Commission representative on the Trade Agreements Committee and the Commerce representative also serve on the Committee for Reciprocity Information.

The CHAIRMAN. Who determines who shall be on the Committee of Reciprocity Information?

Mr. RYDER. They are designated, in my recollection, by each agency. I know the Tariff Commission designates its representatives on it.

The CHAIRMAN. How many are on the Committee on Reciprocity Information?

Mr. RYDER. The Tariff Commission, Departments of State, War, Navy, Agriculture, and Commerce.

The CHAIRMAN. That is the Interdepartmental Committee?

Mr. RYDER. Both committees are interdepartmental.

The CHAIRMAN. Yes.

Mr. RYDER. The Committee for Reciprocity Information and the Trade Agreements Committee.

The CHAIRMAN. The Interdepartmental Committee, as I understand it, each of those departments have one representative.

Mr. RYDER. That is right.

The CHAIRMAN. How many do they have on the Information Committee?

Mr. RYDER. Usually one on both committees. For convenience, because of the large number of hearings required in connection with the Geneva negotiations, the Tariff Commission had two representatives on the committee, one of whom served as chairman and the other as vice chairman of the committee.

The CHAIRMAN. How many panels did you have that heard the work preliminary to the Geneva meeting?

Mr. RYDER. Five or six, I believe. I am not quite certain.

The CHAIRMAN. How many were there and how many were on each panel?

Mr. RYDER. I could get that information, but I think you would find that there were at least five or six members who sat on each panel.

The CHAIRMAN. Does any one here know?

Mr. BROWN. There were five panels. Each panel had representatives of all the agencies who are represented on the Trade Agreements Committee, and each panel was chaired by a member of the Trade Agreements Committee.

The CHAIRMAN. There were 40, then, altogether, sitting on the panels.

Mr. BROWN. No, sir. There were seven agencies.

The CHAIRMAN. I thought you just counted eight.

Mr. BROWN. Army and Navy were not on it.

Mr. RYDER. Army and Navy had one representative together.

The CHAIRMAN. We kept using 7 yesterday, and I wanted to check myself on that. So there were 35.

Mr. BROWN. The services were sometimes represented by two and sometimes by one.

The CHAIRMAN. There were 35 on the panels and how many from the Interdepartmental Committee?

Mr. RYDER. You mean the Trade Agreements Committee? I believe I counted eight or nine. There are eight departments, I believe, and there would be eight members of that committee.

The CHAIRMAN. So those who heard the evidence and the panels become reduced four-fifths.

Mr. RYDER. Oh, yes.

The CHAIRMAN. At the time that you have the consideration in the Interdepartmental Committee.

Mr. RYDER. Yes, sir. When they are divided into panels—and with seven men on the panel—there could not be over one from the Trade Agreements Committee sitting on any one panel.

How far this procedural set-up will be changed by the adoption of H. R. 6556 is not entirely clear. Obviously the Tariff Commission is given larger functions in the trade agreement procedure. It takes over at least part of the functions of the Committee for Reciprocity Information and makes findings which will have an important influence on the decisions which will be made by the Trade Agreements Committee regarding the duty concessions to be granted by the United States.

The bill specifies that the Tariff Commission shall hold a hearing on a list of commodities with respect to which concessions will be considered in any given trade agreement. Nothing is said regarding the hearings on concessions to be requested of the foreign country. It

might be inferred from this that the Committee for Reciprocity Information would be continued for this purpose. However, the report of the Committee on Ways and Means and Mr. Gearhart's remarks in the House seem to indicate that the Tariff Commission is expected to take over all the functions of the Committee for Reciprocity Information.

The CHAIRMAN. I believe it was rather thoroughly developed yesterday, Mr. Ryder, that the President's executive powers are sufficient to keep the Interdepartmental Committee in existence for his own information.

Mr. RYDER. Yes, sir.

The CHAIRMAN. So that it does not put the Interdepartmental Committee out of business unless the President wishes to.

Mr. RYDER. That is the Trade Agreements Committee. The Committee for Reciprocity Information, however, at present holds hearings both on the concessions that we are to give and the concessions that we are to obtain or request. The first part of that, the concessions to be offered, the Tariff Commission is required to hold hearings under this bill, but there is nothing in the bill as to who should hold hearings in regard to concessions to be requested. It leaves doubtful what would be the solution of that problem.

The CHAIRMAN. Our present information is that Commerce takes the responsibility for that, as a matter of fact. Is that correct?

Mr. RYDER. Commerce has the primary responsibility under the present procedure for submitting information regarding concessions to be requested, but they have only one member on the Trade Agreements Committee in deciding on it, and they have only one member on the Committee on Reciprocity Information which holds hearings on the subject.

The CHAIRMAN. If the Congress should decide that the paramount test is protection against injury to American industry, it would be possible to lodge the export angle in the Tariff Commission or it would be possible to keep it in an interdepartmental committee maintained by Executive orders, would it not?

Mr. RYDER. That is right. Either possibility it seems to me is left open by this bill.

How the work of the Trade Agreements Committee and the country committees will be affected by the new functions given the Tariff Commission under H. R. 6556 will be apparent from the discussion of the various stages in the negotiations of the trade agreements which follow.

First, let us consider the work of these committees preliminary to the negotiation.

The CHAIRMAN. Let me interrupt you again, Mr. Ryder. As far as the exporters' desires are concerned, does he appear before the panel hearings?

Mr. RYDER. Oh, yes; he appears before the hearings of the CRI, and presents evidence, sometimes valuable evidence.

The CHAIRMAN. What is the CRI?

Mr. RYDER. Committee for Reciprocity Information.

The CHAIRMAN. They appear before those panels and tell what they would like to do in the way of exports and where they would like to do their exporting, is that right?

Mr. RYDER. What concessions they think we should request of the country in question. They know the difficulties they are having in exporting, they know the market opportunities in those countries, and they frequently give valuable information as to the kind of concessions and the extent of the concessions that we should request.

The CHAIRMAN. You pose the basic philosophical question as to whether there should be a paramountcy attributed to protection against injury, whether that principle may be mitigated or softened or abandoned to serve an export interest. You have to work your organization according to what your philosophy on that is.

Mr. RYDER. Oh, yes, of course.

First, let us consider the work of the Trade Agreements Committee and country committees preliminary to the negotiation of a trade agreement. Under the present procedure any proposal to negotiate with a country, let us call the country "X," for a trade agreement, is studied first by the country committee set up especially for the purpose, and then by the Trade Agreements Committee which canvasses the problems which may be expected to arise in the negotiations and makes its recommendations to the Secretary of State and the President.

The CHAIRMAN. The country committee has received the information that has been developed in these panels.

Mr. RYDER. That is right.

The CHAIRMAN. It has been digested for it.

Mr. RYDER. The point that I was making here is that before they begin the negotiations the country committee makes a study and makes recommendations as to whether they think it is feasible and practicable to enter into negotiations with the country.

The CHAIRMAN. Let us suppose that they have recommended that negotiations be opened on the information which they then have before them, then you proceed to give public notice and—

Mr. RYDER. I am coming to that now.

The CHAIRMAN. All right. I do not want to steal your act.

Mr. RYDER. If the President authorizes negotiations and country X agrees to negotiate, the first step preliminary to actual negotiations is to secure agreement on the articles with respect to which the United States will consider making duty concessions. That has to be done because of the procedure adopted by which the list of articles to be considered for granting concessions is published; we hold a public hearing on the list. So the list has to be established. You do not have to do the same thing of course for the articles on which concessions are to be requested because the foreign country does not hold hearings. This is necessary because this government has established the rule of giving public notice of and holding a hearing on the articles which shall be considered for this purpose.

The list of the articles to be considered for concessions is made up initially by the country committee, and the list is reviewed and revised by the Trade Agreements Committee. Heretofore, the Tariff Commission has been represented on these committees. Under H. R. 6556 it would no longer be represented on them. Presumably, however, the Commission would continue to supply the information used in making up the list.

The CHAIRMAN. We might as well get at it at this point. There is no prohibition against the Tariff Commission doing as it always has done, to wit, to get whatever information it wants from any governmental source available.

Mr. RYDER. I understand that.

The CHAIRMAN. Is that not correct?

Mr. RYDER. I understand that; yes. As a rule the list includes all articles that are imported chiefly from country X or of which country X is a high-ranking supplier. It should be emphasized that the inclusion of a given article on this list is by no means an indication that a concession actually will be made on the article.

The list as recommended by the Trade Agreements Committee, with the approval of the Secretary of State and the President is submitted to country X. Country X, of course, will almost certainly seek to enlarge the list of articles to be the subject of negotiations. Usually the request for additional listings is granted except in cases where there are strong reasons for not doing so. In some cases a country may be a minor supplier of the article as a whole, but may be an important supplier of some particular grade or type of an article. In that case, if a concession is given, the concession is usually confined to the grade or type coming principally from the country in question. This is done by reclassification.

The CHAIRMAN. May I back up and ask who appoints the members of the Committee for Reciprocity Information?

Mr. RYDER. They are appointed by the respective agencies.

The CHAIRMAN. Under whose leadership?

Mr. RYDER. What do you mean?

The CHAIRMAN. Somebody has to touch it off, Mr. Ryder.

Mr. RYDER. The Chairman of the committee is designated by the State Department. As a matter of fact, I don't know how it got started, but the Vice Chairman of the Tariff Commission has always been Chairman of the Committee for Reciprocity Information, and for the 3 years I was Vice Chairman of the Tariff Commission I was Chairman of that committee, and as soon as I got promoted to the chairmanship of the Tariff Commission, I was glad to relinquish chairmanship of the CRI to the Vice Chairman of the Commission.

The CHAIRMAN. It shows the good sense of the Secretary of State in bringing somebody who knows something about it into the organization.

Mr. RYDER. That is right.

After the list of products to be made the subject of negotiations has been agreed upon, the Secretary of State under present procedure simultaneously announces negotiations with country "X" and publishes the list. At the same time the Committee for Reciprocity Information makes a public call not only for information on the question of concessions by the United States on the articles listed, but also for information regarding the articles on which the United States may ask concessions of country "X." The final date is set for the filing of briefs and announcement is made of the date of the public hearing. All the information contained in the briefs and given at the public hearing is analyzed and summarized by the Committee for Reciprocity Information, and I would say with the help of the Tariff

Commission experts that is done. It is transmitted to the Trade Agreement Committee and to the subcommittee on country "X." That is the present procedure.

Under H. R. 6556 the Tariff Commission would hold the hearings on the list of articles to be considered for concession by the United States. As has already been stated, no provisions is made in H. R. 6556 regarding the hearings on concessions to be requested by the United States. It is thus a question whether they would be held by the Tariff Commission or by the Committee for Reciprocity Information which would then be continued in existence for that purpose.

The CHAIRMAN. The question would be easy to solve administratively, would it not?

Mr. RYDER. Yes.

Under the present procedure, after the public hearings are completed, the country committee has the duty of formulating for submission to the Trade Agreements Committee tentative schedules of the concessions to be requested of country "X," known as schedule one, and of the concessions which the United States will be prepared to offer initially in return for the concessions to be requested, known as schedule 2. In preparing these schedules the country committee draws on information submitted from two sources; first, information submitted by producing, importing, exporting and other interests to the Committee for Reciprocity Information; and, second, the information and advice submitted by Government agencies pursuant to section 4 of the Trade Agreements Act.

Under this procedure the Tariff Commission is primarily responsible for supplying information regarding possible concessions by the United States. The Department of Commerce for supplying information regarding the concessions to be requested of country "X." The State Department for supplying information regarding the general provisions. The Department of Agriculture for supplying special information on agricultural commodities and the Treasury Department for supplying information on technical customs matters.

I should like in this connection to stress the part played by the Tariff Commission under present procedure in supplying information regarding possible concessions by the United States. For each article included in the published list of articles on which the United States will consider making concessions the Commission prepares what we call a digest summarizing all the information available which may throw light on the competitive position of the domestic industry with respect to imports. Each digest which is prepared by the commodity expert on the article in question, collaborating with an economist of the Commission staff, is reviewed by a committee of the Commission composed of both Democratic and Republic members. Every effort is made to have the digest as complete and objective and devoid of bias as possible.

The CHAIRMAN. Is it your opinion that it is consistent to assure domestic industry against serious injury and at the same time have competition?

Mr. RYDER. I didn't get that.

The CHAIRMAN. In your opinion is it possible to assure domestic industry against serious injury and at the same time assure competition?



Mr. RYDER. You mean import competition. You raise a difficult question. I don't know that you can entirely "assure" the domestic industry against injury.

The CHAIRMAN. You can have domestic competition, can you not?

Mr. RYDER. Yes.

The CHAIRMAN. And at the same time preserve healthy business?

Mr. RYDER. Oh, yes.

The CHAIRMAN. By the same token, you can have foreign competition in this country and at the same time preserve healthy business, can you not?

Mr. RYDER. Oh, yes.

The CHAIRMAN. That is all I am getting at.

Mr. RYDER. As I look at it, if you have a given duty under present world conditions or under any conditions, the more you decrease the duty, the greater the likelihood or probability of injury to domestic industry.

The CHAIRMAN. Of course, Mr. Ryder, I suggest your job is to do the best you can to see that domestic industry is not injured. There are intangibles and variables in the business which no man can solve with a slide rule.

Mr. RYDER. That is right.

The CHAIRMAN. That ought not to be an objective that would baffle any well-meaning person.

Mr. RYDER. They present grave difficulties, of course, under present circumstances.

The CHAIRMAN. Of course, they present difficulties. And is there any way of doing this thing under any scheme that does not present great difficulties?

Mr. RYDER. No; I agree.

The CHAIRMAN. The exclusive purpose of legislation is not to abolish difficulties.

Mr. RYDER. Sometimes it increases them and sometimes it decreases them.

The CHAIRMAN. If we did not have difficulties, we would have no need for legislation.

Mr. RYDER. Every effort is made to have the digest as completely devoid of bias as possible. I think we succeed pretty well in doing that, by the way.

The digests prepared on the 1,400 or more items listed for consideration in the Geneva negotiations were made public prior to the public hearing on these negotiations. That was the first time that that had been done.

Before that, the digests have usually been published after the trade agreements have been made.

The CHAIRMAN. How many items were involved in the Geneva negotiations? I am not speaking of categories, but how many items?

How many in the total multilateral agreement as finally arrived at?

Mr. RYDER. I don't remember. Of course, items that were subject to negotiations. There were something over 1,400.

The CHAIRMAN. For all committees there were many thousands?

Mr. RYDER. I don't know. I have never counted. We probably have the figure. I could get the figure of the actual number included in the agreements.

The CHAIRMAN. We had the figure yesterday. Who knows what the figure is?

Mr. RYDER. You mean from all the countries?

The CHAIRMAN. The whole number of items involved in the multi-lateral agreements.

Mr. RYDER. For all countries?

The CHAIRMAN. For all countries.

Mr. RYDER. I have never counted them.

The CHAIRMAN. What was the figure?

Mr. MARTIN. I think I have seen 45,000.

Mr. RYDER. That seems large to me.

The CHAIRMAN. In view of the generalization of benefits, it is in the whole subject. We have to study the ramifications of the general subject; do we not?

Mr. RYDER. Yes; of course. It depends on how you count the items.

The CHAIRMAN. So you submitted, so far as items directly affecting the United States were concerned, subject to negotiation between the United States and other countries, some 3,000 or more.

Mr. RYDER. Some 1,400 or more the way we counted them. We probably covered a number of classified items, if you want to count those as items.

The CHAIRMAN. Did you hear the testimony yesterday—

Mr. RYDER. No.

The CHAIRMAN. That there are no important trade agreements in the offing?

Mr. RYDER. No; I didn't hear the testimony yesterday.

The CHAIRMAN. That was testified. I think there was some mention of a possible agreement with Greece. I have heard outside of the testimony that there might be something with Portugal.

If preparing digests which I assume are to be used as the basis for conclusions as to whether domestic industry would be injured, if preparing that digest on the scale which you have just mentioned, did not frustrate your Commission, would asking you over the next year or so to prepare digests and possibly reach opinions on the items that would be included in an agreement with, we will say, Greece or Portugal, send you up into a tailspin over there?

Mr. RYDER. If you had only agreements with countries like Portugal and Greece, a few countries like those, in negotiations which involved only a few items, the preparation of the digest would be very simple.

The CHAIRMAN. You gentlemen could do that coming up out of a sound sleep with one-half of one lobe of your brain.

Mr. RYDER. That is a little exaggeration, but it wouldn't be much of a job for small countries of that kind.

The CHAIRMAN. I have read your testimony on the House side, and therefore I do not want you to start shivering over the magnitude of the task that might be ahead of you over the next year.

Mr. RYDER. I didn't testify before the House. I had an urgent letter from Mr. Doughton, asking my personal views and very reluctantly gave them to him.

I would rather remain anonymous in these matters, and uncommitted.

The CHAIRMAN. We all would like to remain uncommitted, Mr. Ryder.

Mr. RYDER. As a member of the Tariff Commission I am a servant of Congress, and try to carry out whatever functions I am given.

The CHAIRMAN. You know the fellow who quit his job sorting potatoes because he could not stand making all those decisions?

Mr. RYDER. I have hear of him.

Supplying information—written information—in the form of digests is not the only way in which the Commission assists the country subcommittees. It also puts at their disposal, as it puts at the disposal of congressional committees in tariff revisions, the entire expert staff of the Commission to furnish needed technical information and advice.

The CHAIRMAN. How many employees do you have over there?

Mr. RYDER. At present we have only about 220, or a little less, I believe. The smallest staff that we have had in many years.

The CHAIRMAN. Can you give us some little idea of the organization? You have the Commission, and what is your expert category and what is your clerk category?

Mr. RYDER. We have a staff which is headed by a very able group of gentlemen who constitute our planning and reviewing committee. Two of them are sitting here by me; one of them is our Chief Counsel. The other is the Chief Economist. The committee also includes the Chief of the Economics Division, the Chief of our Technical Services, and a Director of Investigations, and the special adviser to the Commission on industrial problems.

Then we have, I believe, six commodity divisions—a chemical division, a metals division, an agricultural division, a ceramics division, a lumber and paper division, a sundries division, and a textile division.

Each one of those divisions has a chief.

The CHAIRMAN. Those men are men of long experience in business?

Mr. RYDER. Some of those men are experts brought in from industry. Some of the best ones have been young men and women that we have taken in and trained to study the industry. They are commodity experts, and each of them covers a very important commodity or a group of commodities.

At present, those divisions are somewhat undermanned. Then we have an economics division composed of a number of economists who review and revise and assist the commodity experts in formulating their reports.

All that expert staff of economists and commodity experts probably would not number over about 100; is that right?

Mr. MARTIN. It would be less than that.

Mr. RYDER. Less than that.

The CHAIRMAN. Above the clerk category there are probably 100 economists, experts, and specialists?

Mr. RYDER. Probably a little less than 100.

The CHAIRMAN. You think that they could come up with sound data and possibly recommendations on a treaty with Greece or Portugal over the next year?

Mr. RYDER. We have a very competent staff. It is a very small staff. We were given the job by the Ways and Means Committee of re-

vising the tariff information summaries on all the items in the tariff, which was quite a job.

The CHAIRMAN. The purpose of all your digesting under the present system is to provide a basis for conclusions; is it not?

Mr. RYDER. Yes.

The CHAIRMAN. And the conclusion, let us assume, is whether or not the doing of a particular thing would injure domestic industry. Is that not the purpose?

Mr. RYDER. The purpose—the way we express it is that we try to give in the digest as good an account as possible of the competitive situation of the industry in respect to imports.

The CHAIRMAN. For what purpose.

Mr. RYDER. To enable Congress, if Congress is passing on it, or the trade agreement authorities, to come to a decision as to what they are going to do with regard to a given concession.

The CHAIRMAN. I assume that has a direct relationship to whatever the criterion of judgment is?

Mr. RYDER. Oh; that is right; yes.

When the country committee has completed its draft of the schedule of concessions to be sought from the foreign country and of the concessions which we are to offer in return, the draft is submitted to the trade agreements committee.

That committee under existing procedure then reviews and revises both schedules, using not only the report of the country committee, but also Tariff Commission digests.

The CHAIRMAN. I understood you to say, Mr. Ryder, that you had submitted about 1,400 or 1,500 digests, and yet there were some 3,000 items of interest to the country.

What was the basis of information on the rest of the items?

Mr. RYDER. I don't know that it was 3,000. By the way, most of this material I testified to before your committee last year.

The digests that we prepared ran something over 1,400. How many items were covered depends largely on how you count the item, and I have no figure here for the number.

The digests covered all the items that were listed for consideration.

The CHAIRMAN. The digests covered everything?

Mr. RYDER. That was listed for consideration.

The CHAIRMAN. There was nothing that went to Geneva that was not covered by your digests; is that right?

Mr. RYDER. That is right.

When the Trade Agreements Committee has finally agreed upon the concessions to be offered and requested and these have been approved by the Secretary of State and the President, negotiations are ready to begin.

Executive Order 9832 provides that if the decision of the Trade Agreements Committee regarding the concession on any article is not unanimous, the President shall be provided with a full report by the dissenting member or members of the committee, giving the reasons for the dissent and specifying the point beyond which they consider any reduction or concession involved cannot be made without injury to the domestic economy.

Under H. R. 6556, there is considerable change in the procedure, and the functions of the Tariff Commission are quite different.

This bill would require the Tariff Commission to make with respect to each article listed for the negotiations a formal finding as to what concession can be made without serious injury to domestic procedures.

As soon as the list of articles to be made the subject of negotiation has been agreed upon between the United States and the foreign country, the President under H. R. 6556 would turn over the list to the Tariff Commission.

Upon its receipt, the Tariff Commission would fix the date of public hearings and would begin preparation of the digest. As soon as possible after completion of the public hearing, the Commission would begin consideration of the findings it is required to make under section II of H. R. 6556.

In doing so, it would take into account the information contained in the digest which would be completed as quickly as possible, the information obtained at the public hearing and such other information as the Commission might decide should be obtained.

As soon as the Commission has completed the list of concessions which it finds can be made without serious injury, the list would be transmitted to the President, who doubtless would turn it over to the Trade Agreements Committee which in turn would give it to the country committee for study and recommendation.

The country committee would then have the task of recommending what concessions shall be made in the light of the Tariff Commission's findings, and these recommendations, after review and revision by the Trade Agreements Committee and approval by the President, would become the basis for negotiations.

The CHAIRMAN. How many meetings did you or your delegate attend prior to Geneva in connection with the Geneva meeting of the interdepartmental committee?

Mr. RYDER. I have no idea. It could be counted up. There were many meetings.

The CHAIRMAN. As many as 75 or 27 or a dozen?

Mr. RYDER. Some members of the Tariff Commission attended all the meetings.

The CHAIRMAN. How many were there?

Mr. RYDER. I have no idea, but a very large number. I could have them counted up for you if you would like to know.

The CHAIRMAN. I would like to know.

Mr. RYDER. All right.

The CHAIRMAN. I have a pretty good idea, but I would like to get some testimony on it, because the State Department refuses to let us look at the minutes.

I have a pretty good idea what is in them.

Mr. RYDER. I don't know the number of meetings, but I could find out.

The CHAIRMAN. I would like to know the number of meetings, and I would like to remind you of something which you have already given evidence of knowing; that the Tariff Commission is obligated to report directly to the committee.

Mr. RYDER. That is right.

The CHAIRMAN. I would like to know the number of meetings of the Interdepartmental Committee attended by you or by some represent-

ative on your behalf in connection with preparations for the Geneva meeting.

Mr. RYDER. All right. I will get that for you.

Mr. Ryder subsequently advised the committee that the representative of the Tariff Commission had participated in 219 meetings of the Interdepartmental Committee on Trade Agreements during the preparation for and negotiation of the General Agreement on Tariffs and Trade.)

The CHAIRMAN. Do you have minutes of your participation in those meetings?

Mr. RYDER. I didn't keep any personal record of the meetings. I think I have copies of at least some of the minutes of the meetings.

The CHAIRMAN. We would like to have whatever you have over there as to your own participation in those meetings.

Mr. RYDER. I have nothing of my own participation in the meetings.

The CHAIRMAN. I mean you or your delegate, or whoever represented you.

Mr. RYDER. I have nothing that I could give you on it. The meeting's minutes, of course, would be in the care of the State Department. I have no control over them.

The CHAIRMAN. We are confronted with a rather amazing situation, Mr. Ryder. The power of control of the customs and tariffs, as you know, is within the exclusive jurisdiction of Congress.

Your agency has been required by law to report directly to the House Ways and Means Committee and to this committee in recognition of the exclusive jurisdiction of Congress over the subject, and yet because we have delegated a part of our powers to the President, we are now precluded from having even the minutes of the Interdepartmental Committee.

Mr. RYDER. That is something for you to discuss with the President and the State Department.

The CHAIRMAN. Yes; and it will be discussed plenty, Mr. Ryder.

Mr. RYDER. As soon as the Commission has completed the list of concessions which it finds can be made without serious injury, the list would be transmitted to the President, and he doubtless would turn it over to the Trade Agreements Committee, which in turn would give it to the country committee for study and recommendation. The country committee would then have the task of recommending what concessions are to be made in the light of the Tariff Commission findings.

These recommendations, after review and revision by the Trade Agreements Committee and approval by the President, would become the basis for negotiations.

If on any article a lower duty than that recommended by the Tariff Commission should be included in the agreement, then the entire agreement would have to be laid before Congress under section 4 of H. R. 6556.

Under the procedure prescribed in H. R. 6556, the Commission has no member on the Trade Agreements Committee. On the other hand; the Commission, which as such does not under present procedure pass upon concessions, must under the new procedure make a formal finding with respect to each concession.

Negotiation of the trade agreement is concluded by a negotiating group headed by an official of the State Department who is assisted by experts from the Tariff Commission, Commerce and Agriculture. Apparently under H. R. 6556 the Tariff Commission experts could not participate in the negotiations. The negotiators are under instructions to make all efforts to obtain from the foreign country the duty concessions contained in the schedule of desired concessions approved by the President, and they may not without authorization agree to concessions in United States tariff other than or in excess of those included in the approved schedule of possible United States concessions.

The CHAIRMAN. The President necessarily must abide by the recommendations that come to him.

Mr. RYDER. Usually he does.

The CHAIRMAN. With that, he would not have the time.

Mr. RYDER. Usually he does. Except on one occasion a long time ago, I have never heard a discussion of the schedules with the President, so I have no first-hand information on it.

The CHAIRMAN. This bill that we have before us must necessarily direct itself to the President, because the President is the final source of authority, but its real purpose would be to restrict the authority of the lower echelons in the business.

Mr. RYDER. The President, I would think, could not go over all items in detail. I would think that some of the more important items he would go into, and question at least to some extent.

Frequently during the negotiations points arise which the negotiators have to refer to the trade agreements committee for further instructions. In particular, the Trade Agreements Committee must be consulted when the negotiators find it is necessary in order to come to agreement with a foreign country to have the authority to take less than asked, or to give more than authorized. Either one might happen, of course.

A foreign country might insist on greater concessions than initially authorized. On the other hand, they might not give so much as you think it warrants if you make the concession.

Any departure, however, from either schedule requires approval not only of the Trade Agreements Committee, but of the Secretary of State and the President. By this procedure the Trade Agreements Committee, the Secretary of State and the President are kept informed of the progress of negotiations and the major decisions which determine the character of the agreements are made with their approval.

When the negotiating committee, therefore, lays a completed agreement before them for final decision, they are already familiar with its principal features.

The CHAIRMAN. On the Interdepartmental Committee, if there is a showing of injury on a proposed cut or concession from the importing standpoint, is that balanced against the advantage that might accrue to an exporting segment of our industry?

Mr. RYDER. I don't know that it would be considered in just those terms. Here is the way I approach the problem:

Suppose that the present duty is 60 percent, and under the present act there is authority to reduce that to as low as 30 percent. All those

things are matters of judgment. There is not complete assurance of avoidance of injury even if you don't reduce the duty.

I might think that it would be entirely safe to make a cut to 45 percent, a cut of one-fourth. I might think that from there on the risk would increase fairly rapidly. I might think that if you got down as low as 30 percent the probability of injury would be strong.

Where you stop between those two figures is a matter of judgment as to the likelihood of serious injury and a matter partly of how much you can get for the concession from the country, how important it is in your trade agreement negotiations.

The CHAIRMAN. Let's make a case out of that. Let us assume that you have concluded that to go as low as 30 percent would represent injury to a domestic industry. Let us suppose that a much greater amount of trade could be developed, and a much greater economic benefit could be had if you could increase exports of a certain item by making a concession that would take you down to 30 in the case that you have mentioned.

Would that be done? Would there be a chance of that being done?

Mr. RYDER. That would be hard to say.

The CHAIRMAN. The reason I question you is because Mr. Clayton yesterday refused to say unequivocally that this would not be done.

Mr. RYDER. I could give only my own personal view. If in my judgment the probability were very strong that a reduction to 30 percent would result in serious injury to an important domestic industry, I would be inclined to vote against going that far.

The CHAIRMAN. You would not trade that against an export advantage?

Mr. RYDER. No; I would not be inclined to do so.

The CHAIRMAN. But that is your personal view.

Mr. RYDER. That is right.

The CHAIRMAN. Does that view obtain with equal rigidity among all the other members of the Interdepartmental Committee?

Mr. RYDER. I could not answer that, Senator. I think that in general they would have somewhat the same point of view. It is a difference of degree always in matters of that kind.

The CHAIRMAN. There is a difference of degree between Hell and Heaven, but that does not solve anything.

Mr. RYDER. Then there is this, also: I may think that the likelihood of serious injury at 30 percent was very strong and would be inclined to vote against it; and there might be other members who did not think there would be much prospect of serious injury even at 30 percent.

That is one basis for disagreement. It is hard to say what the other fellow is thinking.

The CHAIRMAN. Of course, one of the favorite tricks in writing a judicial opinion, if you are not completely scrupulous, is to weigh the facts so that you have a basis for your conclusion.

Mr. RYDER. Oh, yes; I have seen that done.

The CHAIRMAN. That is often done. The reason I question you, I repeat, is because Mr. Clayton yesterday would not eliminate the possibility of that being done.

Mr. RYDER. That is all I have. As I say, I have just covered the formal aspects of the matter, and I didn't know what other aspects you



gentlemen would want to go into. I would be glad to develop anything else.

Senator GEORGE. May I ask a question?

The CHAIRMAN. Yes; of course.

Senator GEORGE. Under the present procedure, as I get it, Doctor, the tariff commission is largely fact-finding; is it not?

Mr. RYDER. That is right.

Senator GEORGE. It is essentially fact-finding.

Mr. RYDER. That is right.

Senator GEORGE. Under this bill, H. R. 6556, as you interpret it, it would be more than fact-finding; would it not?

Mr. RYDER. I am inclined to say that it would, because the element of judgment is so great in determining in advance, particularly in a situation such as we have now, what would be—

Senator GEORGE. I was just getting at what you thought would be a fair interpretation of the bill; whether it would go into policy fields.

Mr. RYDER. I am inclined to say that it would. That is my view. I believe I replied to that in my letter to Representative Doughton. I could read from that letter if you want me to do so.

The CHAIRMAN. I think the clear intention of the bill is to put you into the policy field to the extent of making recommendations to the President.

Mr. RYDER. That is right.

The CHAIRMAN. Which he may disregard. But under the bill if he disregards them, he must come before the Congress.

At least, the Congress would have the opportunity to review his decisions.

Mr. RYDER. I will read what I said here, if you would like me to do so.

The CHAIRMAN. Go ahead, please.

Mr. RYDER. The Commission was established in 1916 in order that the Congress and the Executive might have a reliable source of objective information on tariff matters, information which could be accepted as authentic by all sides in any tariff controversy. Thus, from the very beginning its primary function has been to find the facts, leaving policy decisions to the Congress and the President.

I doubt the advisability of transforming the Commission into a policy-making agency and thus subjecting it more than in the past to political vicissitudes. The attempt to determine the degree to which duties may be reduced without injury to domestic producers or impairment of the national defense would require the making of such difficult and fundamental judgments that the Commission would in effect be making major policy decisions.

The element of judgment, of course, enters into the various phases of the Commission's present work. This is especially true of the duties which have been assigned to it under the escape clause in trade agreements. In cases under that clause, however, its findings as to whether serious injury to domestic industry has occurred or is threatened will be based on actual observation of the imports after the trade agreement concession has come into force.

In contrast, the findings required under H. R. 6556 would have to be based to a large extent especially under present abnormal conditions, on assumptions and estimates as to future probabilities.

The CHAIRMAN. Your Commission is bipartisan; is it not?

Mr. RYDER. Yes; the three Republicans and three Democrats.

The CHAIRMAN. What are the standards in your Interdepartmental Committee for determining whether a cut or concession will be made?

Mr. RYDER. I would say—

The CHAIRMAN. Aside from judgment. We have heard a lot of judgment.

Mr. RYDER. It is a matter of judgment.

The CHAIRMAN. Aside from judgment, what are the standards?

Mr. RYDER. It is entirely a matter of judgment. You weigh on one side the possible or probable increased risks of injury to domestic industry, increased competition, I would say, rather than risk. You would weigh that.

On the other hand, you would weigh the advantage you would get by making the concession. It is a weighing of those two factors.

The CHAIRMAN. In that weighing process, what are the criteria or the standards?

Mr. RYDER. I don't think that there are any specific criteria or standards that can be generally applicable, that can be applied to all cases.

The CHAIRMAN. Then under that what is our authority in delegating this power to the Executive; to executive administration?

Mr. RYDER. I could not answer that question.

The CHAIRMAN. When you sit there as a member of the Interdepartmental Committee, you are an individual as such on that committee, rather than a functionary for passing on the decisions of the Tariff Commission. Is that not correct?

Mr. RYDER. I would say yes. Soon after the Trade Agreement Act was passed, I was designated by the Commission its representative on the Trade Agreements Committee, with full authority to act.

That authority has been continued without interruption.

The CHAIRMAN. It is to be assumed that you are there because of the wisdom that you have accumulated out of your job, but you are sitting there personally and not, as I said before, sitting there to pass on to the Interdepartmental Committee decisions which have been made by the Tariff Commission.

Mr. RYDER. Oh, no. I sit there and use my best judgment. I cannot, of course, speak for the Commission as such.

The CHAIRMAN. That is right. I wanted that very clear, because Mr. Clayton and I had some discussion on the subject yesterday, and I think he is rather of the contrary opinion.

Mr. RYDER. Manifestly, the Commission could not be responsible, unless all the Commissioners were present and heard all the arguments entering into the decisions made by the Trade Agreements Committee.

Sometimes there is a matter of compromise between two views, of course, as sometimes happens in those things.

The CHAIRMAN. You have the responsibility for advising the President exclusively, on the escape clause; is that not correct?

Mr. RYDER. The Tariff Commission has that responsibility under Executive Order 9832, and if you are interested in it, the Commission has issued a report on the criteria.

The CHAIRMAN. I would like to have that.

Mr. RYDER. It was proposed at the request of the Ways and Means Committee.

(Mr. Ryder later submitted the following for the record:)

UNITED STATES TARIFF COMMISSION

PROCEDURE AND CRITERIA WITH RESPECT TO THE ADMINISTRATION OF THE "ESCAPE CAUSE" IN TRADE AGREEMENTS

(Prepared in response to a resolution of the Committee on Ways and Means of the House of Representatives, Washington, February 1948)

FEBRUARY 24, 1948.

HON. HAROLD KNUTSON,  
*Chairman, Committee on Ways and Means,  
House of Representatives.*

DEAR MR. KNUTSON: I have the honor to transmit herewith a report prepared by the United States Tariff Commission on "Procedure and Criteria with Respect to the Administration of the 'escape clause' in trade agreements." This report was prepared in response to a resolution of the Committee on Ways and Means of July 25, 1947. Thirty additional copies are being sent to Mr. Tawney for the membership and staff of the committee.

Sincerely yours,

OSCAR B. RYDER, *Chairman.*

INTRODUCTION

On July 25, 1947, the Committee on Ways and Means adopted a resolution containing, inter alia, the following paragraph:

"Resolved that the Tariff Commission is requested to establish as soon as practicable the substantive and procedural criteria, measurements, or other standards by which it will determine whether imports, of any particular commodity are entering in such quantities as to 'injure' or threaten 'injury' to any domestic unit of agriculture, labor, industry or segment thereof, and to inform the Committee on Ways and Means as to how that Commission intends to comply with the provisions of Executive Order 9832 issued February 25, 1947 \* \* \*."

The present memorandum undertakes to set forth the general procedure which the Commission will follow in carrying out its obligations regarding the escape clause under Executive Order 9832, and, so far as practicable at this time, to indicate the major considerations which it will take into account in determining whether, as a result of unforeseen developments and of a concession granted by the United States on any article in a trade agreement, the article is being imported in such increased quantities and under such conditions as to cause, or threaten, serious injury to domestic producers.

The relevant portions of Executive Order 9832 for present purposes are contained in paragraphs 1-3, inclusive, of part I, as follows:

1. There shall be included in every trade agreement hereafter entered into under the authority of said act of June 12, 1934, as amended, a clause providing in effect that if, as a result of unforeseen developments and of the concession granted by the United States on any article in the trade agreement, such article is being imported in such increased quantities and under such conditions as to cause, or threaten, serious injury to domestic producers of like or similar articles, the United States shall be free to withdraw the concession, in whole or in part, or to modify it, to the extent and for such time as may be necessary to prevent such injury.

2. The United States Tariff Commission, upon the request of the President, upon its own motion, or upon application of any interested party when in the judgment of the Tariff Commission there is good and sufficient reason therefore, shall make an investigation to determine whether, as a result of unforeseen developments and of the concession granted on any article by the United States in a trade agreement containing such a clause, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles. Should the Tariff Commission find, as a result of its investigation, that such injury is being caused or threatened, the Tariff Commission shall recommend

to the President, for his consideration in the light of the public interest, the withdrawal of the concession, in whole or in part, or the modification of the concession, to the extent and for such time as the Tariff Commission finds would be necessary to prevent such injury.

3. In the course of any investigation under the preceding paragraph, the Tariff Commission shall hold public hearings, giving reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence and to be heard at such hearings. The procedure and rules and regulations for such investigations and hearings shall from time to time be prescribed by the Tariff Commission.

An escape clause under which emergency action withdrawing or modifying a concession may be taken is included in the multilateral trade agreement recently negotiated at Geneva, which covers a large part of our total import trade both in number of articles and in aggregate value. A similar clause will also be included in subsequent trade agreements. But it is not included in any of the trade agreements which were concluded prior to the Geneva agreement, except the agreements with Mexico and Paraguay, which are still in effect.

The first paragraph of article XIX of the General Agreement on Tariffs and Trade negotiated at Geneva is an escape clause meeting the requirements of the President's Executive Order 9832. The language of this paragraph, which is, of course, controlling so far as action under the Geneva agreement is concerned, is as follows:

1. (a) If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

The Geneva agreement contains detailed provisions regarding the procedure to be followed in making use of the escape clause. These are quoted in full in the appendix to this report. In substance the article requires consultation with the other contracting parties before taking action under the escape clause; under critical circumstances, however, action may be taken without prior consultation provided consultation is effected immediately thereafter. Even if agreement among the interested parties is not reached, the country proposing to take action under the escape clause may nevertheless do so. Other affected contracting countries are then free to suspend substantially equivalent obligations, so far as concerns trade with the country taking the action.

#### PROCEDURE REGARDING INVESTIGATIONS

The Presidential order provides that investigations by the Tariff Commission under the escape clause shall be made upon the request of the President, upon the motion of the Commission itself, or upon application of any interested party when in the judgment of the Commission there is good and sufficient reason therefor.

The procedure to be followed in investigations under Executive Order 9832 is given in detail in the Amendment to Rules of Practice and Procedure, published by the Tariff Commission in June 1947. In brief, the procedure consists of open hearings after public notice, investigation by the staff of the Commission, preparation of the Commission's report, and, if serious injury or threat of injury is found, transmittal of the report with findings and recommendations to the President. The Tariff Commission is to issue public notice of each properly filed application for investigation under Executive Order 9832 and, if an application is dismissed, it is to issue a statement of the reasons for the dismissal. Due notice must also be given of the institution of investigations at the request of the President or on the initiative of the Commission.

The applicant for an investigation is requested to file with his application as much information as may be readily available to him regarding certain matters listed in the rules, such as imports, production, sales, exports, labor engaged in direct production, comparability of the domestic and foreign article, the nature and extent of the injury to the domestic producer which is alleged to be caused or threatened, and various other matters. The purpose in asking for such information of this character as it may be practicable to furnish is to assist the Commis-

sion in determining whether the circumstances warrant an investigation under Executive Order 9832. It is, however, preliminary to, and not a substitute for, the investigation itself, should the Tariff Commission decide that an investigation is warranted. This requirement has for its purpose to enable the Commission more readily to determine whether or not the application has prima facie merit. The Commission encourages informal conferences with prospective applicants to aid them in deciding whether to request an investigation, and if they decide to do so, to advise with them regarding the character of the information which in their special circumstances should accompany the application.

By whatever method an investigation is instituted, the Tariff Commission in carrying out its obligations regarding the escape clause will, as a matter of broad public policy, act as expeditiously as possible, consistent with the ascertainment of the facts. Prompt investigation and report is required to enable the President to forestall serious injury before it occurs, or, where that is not feasible, to afford appropriate relief before the damage has become prolonged.

The procedure summarized above is directed principally to investigations at the request of domestic producers. In those instances where investigations are undertaken by the Tariff Commission on its own initiative, similar information in the possession of the Commission will be taken into account in determining whether or not an investigation is warranted. The requirements of notice and public hearings will remain the same for all investigations, however instituted. Investigations on the initiative of the Tariff Commission would be in order in those cases where no application has been submitted but where the information available to the Tariff Commission indicates the probability of serious injury, or threat thereof, to domestic producers.

#### CRITERIA FOR DETERMINATIONS UNDER THE ESCAPE CLAUSE

##### *Variation in criteria in different cases*

It needs to be emphasized at the outset that, in considering how to determine whether serious injury has been caused or is threatened within the meaning of the escape clause, no single, simple criterion or set of criteria can be laid down for application in all cases. Each case will have to be judged on its own merits. Some, perhaps most, of the criteria applicable in a given case will be similar in character to those applicable to the generality of cases. But the relative importance to be attached to these identical criteria may vary with individual cases. Moreover, there will often be other circumstances to be taken into account which are peculiar to a particular case. Hence, it is impossible to state categorically in advance the character and weight of the criteria which will govern the Commission's determination of serious injury or absence of such injury in a given instance. All that can be done is to indicate and comment upon the principal factors which, so far as can be foreseen, will enter into the determination.

##### *Provisions of the escape clause regarding imports*

In order to enable the President to take action withdrawing or modifying a concession on any article, it must be found that the facts in the particular case conform to the specifications of the escape clause as regards its use. Four points appear in that clause. It must be found:

- (1) That there has been an increase in the quantity of imports;
- (2) That this increase has been a result of unforeseen conditions;
- (3) That it has been a result of the concession on the article;
- (4) That the increased imports are entering under such conditions as actually to cause or threaten serious injury to domestic producers.

The most difficult task confronting the Commission will naturally be that of determining whether serious injury has actually been caused or is threatened. The other points will be considered jointly with this major point.

*Increase in imports.*—The escape clause specifies that the injury or threat of injury must be caused by imports in such increased quantities as to have that effect. The increase must be in terms of quantity. The increase must be absolute and not merely relative to domestic production.

It will be necessary to select an historical base by which to judge whether such an increase in imports has occurred. It will not be possible to select a single basis for comparison which will be fairly applicable to all cases. For example, with respect to the Geneva agreement, which, for the most part, went into effect January 1, 1948, it may be appropriate in some cases to compare subsequent imports with those of a postwar year or period of years, although, of course, com-

parison with the months immediately preceding the agreement might be vitiated by the holding back of imports in anticipation of reduction in duty. Often, however, owing to the highly abnormal influences which have been operative during and since the war, it will be necessary, at least for some time to come, to compare imports since the Geneva agreement with those during a representative period prior to the war. Each case brought up under an escape clause must be considered independently as regards determination of a representative period with which to compare current imports.

The escape clause also specifies that the increase of imports, as well as the conditions under which imports enter, must be such as to cause or threaten serious injury to domestic producers. Obviously no rule can be laid down that some particular percentage of increase in imports constitutes *prima facie* evidence of injury. The actual facts concerning injury must be ascertained in each case; the kinds of data which must be considered in that connection are discussed in subsequent sections of this memorandum.

*Increased imports as a result of unforeseen developments.*—Under the escape clause unforeseen developments as well as the concession contained in the trade agreement must have contributed to increased imports and resulting serious injury. Under the Trade Agreement Act changes in the tariff are made by the President after consultation with executive agencies through the Interdepartmental Trade Agreements Committee. The construction which the Commission places upon the words "unforeseen developments," as concerns the exercise of its functions under the escape clause, is that when imports of any commodity enter in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers, this situation must, in the light of the objective of the trade agreement program and of the escape clause itself, be regarded as the result of unforeseen developments.

*Increased imports as a result of the concession.*—Under the language of the escape clause there must be a finding that the concession granted by the United States was at least in part responsible for the increase in imports. Obviously, if a concession, although provided for in an agreement, has not yet actually gone into effect, the escape clause cannot be invoked; in this connection it should be noted that some of the concessions made in the Geneva agreement have not yet entered into effect because the countries with which they were negotiated have not yet accepted the agreement. When once a concession has gone into effect, however, if imports have increased thereafter, the Commission must satisfy itself as to whether the increase was a result of the concession.

On this question there may or may not be specific facts available which would establish conclusively that the increase in imports was a result of the concession. In many cases there will be other casual factors; and if all of the causes should be disentangled and separately weighed, it might be found that the increase in imports was due mainly, if not solely, to causes other than the concession. But if imports have increased following a duty reduction, the logical inference, quite apart from more specific evidence, would ordinarily be that the increase was caused, at least in part, by the duty reduction. Indeed, the very purpose of a reduction in duty is to cause imports to be larger than they would otherwise be. If the increase was, even in part, the result of the concession, that is sufficient, since the language of the escape clause clearly does not require that the concession be the sole, or even the chief, cause.

The question may be raised whether the binding of an existing duty against increase, or the binding of continued free entry, could in itself cause an increase in imports. As to most articles, no doubt, any increase in imports which takes place after a binding must be attributed to other causes. However, in some instances there may previously have been fear on the part of foreign producers that the duty might be increased or a duty placed on a presently free article. They may, therefore, have hesitated to take the steps, expansion of equipment, establishment of market connections, reduction of prices, etc., necessary in order to make possible an expansion of their exports to the United States. With the assurance resulting from a binding they might take these steps and a subsequent increase of imports might properly be found to be attributable, at least in part, to the binding.

#### *Imports under such conditions as to cause or threaten serious injury*

When it has been found that the quantity of imports of any product has increased and that the increase has, in part at least, resulted from a tariff concession, the Commission must then determine whether imports are entering "under such conditions as to cause or threaten serious injury to domestic pro-

ducers." The phrase quoted will require the Commission to investigate the conditions, here and abroad, under which the increase in imports occurred, and at the same time to determine whether these conditions are such as to cause or threaten serious injury. The discussion below of the question of criteria to be considered in determining whether serious injury has actually occurred or is threatened necessarily includes a discussion of the conditions under which the increase in imports has occurred.

*Determination of the producing group or groups to be considered*

The escape clause refers to injury to domestic producers of like or similar articles. In each investigation under this clause, the Commission will have to determine what group or groups of producers are concerned. In some cases the Commission will need to consider to what extent the impact of imports on a limited group of producers in an industry can cause or threaten serious injury in the sense of the escape clause. Two principal situations in which this question may arise are discussed below.

One is the situation where import competition is substantially confined to a limited area, or limited areas, of the country, usually along the seaboard. On many commodities of low unit value, transportation charges are a major factor in delivered prices. Low ocean transportation charges sometimes enable foreign producers to obtain a considerable or large share of the total market in some area or areas close to the seaboard, even though they are not able to penetrate any considerable distance into the interior. Here two widely different situations may present themselves, apart from intermediate situations. At the one extreme, there may be producers who are located within such a seaboard area, who are the principal domestic producers selling there, and who, in view of freight charges, must market most of their product in that area. Increased import competition may represent serious injury to these producers, even though producers elsewhere are little affected. At the other extreme, there may be no domestic producers within the area, and the ability of domestic producers elsewhere to compete in it may depend chiefly on the relation between the transportation charges they must pay and the charges, including duty, on the imported product. Under these circumstances injury to domestic producers from an increase in imports substantially confined to the particular area could hardly be considered serious if that area represents only a small fraction of the total domestic market, but it might be considered serious if it represents a considerable fraction of the market.

Another situation where the question of the extent of the field affected by import competition may arise is that in which the article in question represents only a minor fraction of the whole output of an industry. Here the position of different individual concerns in the industry would have to be considered. It may be that for all the concerns the article is of minor importance. For example, it may be by its nature a byproduct of processes which produce much more important commodities. Again, although not a byproduct, the article may be, for all the concerns which produce it, only one, and a minor one, of many articles which they produce. The problem, however, would be different if the article were the principal, or at least a major, product of certain concerns in the industry, even though of minor importance to the majority of the concerns. The problem would also be different if increased competition were affecting not a single product of an industry but several or many of its products.

No general rule can be laid down in advance to cover all cases of the kinds mentioned in the two preceding paragraphs, or other similar cases which may arise. Each situation must be considered on its merits, to determine whether the injury, or threat of injury, resulting from increased import competition is serious in the meaning of the escape clause.

*Criteria regarding injury to domestic producers*

As already stated, numerous classes of facts, which may for convenience be called criteria, or indicators, will have to be taken into account by the Tariff Commission in determining whether serious injury has been caused or is threatened by an increase in imports. The order in which such criteria are mentioned in the present memorandum has no particular significance, and should not be taken as indicating the relative importance which the Commission attaches to them. Each case will be considered independently.

*Trend of ratio of imports to domestic production.*—An important indicator as to injury will be whether or not an increase has occurred, or is threatened, in the ratio of imports to production. The emphasis here is on increase. The fact that imports are in a particular ratio to domestic production cannot in itself be

taken, ordinarily, as indicating either injury or lack of injury. Account must be taken of the degree of competition from imports to which an industry is accustomed; special attention should be given to any radical increase in this respect, actual or impending, especially when rapid.

In some instances, however, even if there has been an increase in the ratio of imports to production, the resultant absolute magnitude of that ratio will need to be considered. For example, the ratio after the concession might be several times higher than before, but yet might still be so low that any injury to the domestic industry could scarcely be considered serious. On the other hand, a less marked increase in a ratio already relatively high might indicate more or less serious injury.

Where imports have shown an absolute increase, an increase in the ratio of imports to domestic production may occur (a) if domestic production has decreased, (b) if it has remained stationary, or (c) if it has increased less than the imports. The injury to domestic producers is, of course, most likely to be felt in the first of these cases. Even in the third case, however, the Commission might need to consider whether injury has occurred where there has been a great increase in demand for the commodity and where domestic producers, although increasing their output, have obtained a much smaller share of this increase in consumption than have foreign producers.

In determining whether a significant change has occurred in the ratio of imports to production, the same care must be exercised in selecting the base period for the production figures as for the import figures. Representative years, often prewar years, must be selected and these will not be the same for all commodities. The discussion already presented regarding evidence as to an increase in imports is applicable here also.

As more fully pointed out hereinafter, the fact that an absolute increase in imports has been accompanied by little or no increase in the ratio of imports to production does not necessarily indicate that no injury has been caused. Domestic production may have been maintained only at the expense of a lowering of wages or profits, or both.

In some instances, for reasons set forth in the section on "Determination of the producing group or groups to be considered," the ratio of imports to production may need to be considered not merely for the country as a whole but for certain particular areas or certain special branches or segments of the industry.

In addition to the trend of the ratio of imports to domestic production, information on other underlying competitive conditions will often be important as indicating the nature and degree of the injury, if any, which has been caused, and more especially as indicating whether injury is threatened. These factors are discussed in the next two sections.

*Costs of production.*—Information regarding differences in the total delivered costs of imported and domestic products will be of much significance in this connection, whenever it can be readily obtained. In most instances, however, complete cost comparisons, similar to those undertaken under section 336 of the tariff act, will not be possible in investigations under Executive Order 9832. The determination of precise cost differences is at best difficult, because of the complex questions which are likely to arise regarding the comparability of the domestic and imported product, the allocation of general and overhead costs to particular joint products or byproducts, the method of averaging costs of different producers, the appropriate markets to which to compute costs of transportation, and other matters. The fact that it usually takes months to make any close comparison between total domestic and foreign unit costs will in itself in most instances rule out any attempt to get complete data. In some instances, however, it may be possible, without undue difficulty, to compare costs of representative United States concerns with invoice prices of imported products, including in both instances transportation and other charges involved in getting the goods to competitive markets.

Even where average total costs cannot be obtained in an investigation under Executive Order 9832, light on the subject may in some instances be gained from comparison of changes here and abroad in particular cost elements, such as major raw materials, wages, and transportation charges. However, the extent to which changes in a particular cost element are significant may depend upon the changes, if any, in other cost elements, in the domestic or in the foreign industry, for which adequate data are lacking. For example, it may be impossible to obtain adequate information as to changes in technology, and consequently in productivity of labor.



*Price trends and conditions of supply and demand.*—Determination as to whether injury has occurred or is threatened by reason of increased imports will often be facilitated by comparison of price movements here and abroad and of price movements in this country of imported and competing domestic products, by ascertaining what methods of marketing the foreign goods are being practiced, and by a general study of conditions of demand and supply here and abroad. Such price and market data may be particularly important as indicating whether the increase in imports is likely to continue or even to accelerate.

In determining whether import competition is causing, or threatening, serious injury to domestic producers, much may depend on whether the increase in imports occurs in a time of rising prices and rising prosperity, in business generally or in the particular industry concerned, or whether it occurs in a period of declining prices and prosperity.

In studying prices of particular articles, account must be taken, especially in times like the present, of general trends of commodity prices. Such general causal factors as changes in exchange rates of foreign currencies, and the desire of foreign producers, and foreign governments, to obtain dollar exchange, must be given due weight.

Conditions of supply and demand, here and abroad, may often be illuminated by data as to new investments in the industry, changes in the capacity and character of the equipment, and changes in stocks on hand. Regard must be given to whether a rise or a fall in demand for the particular article, here or abroad, is due to special technical factors such as changing consumer tastes, the introduction of new substitutes, and the like. In some special instances other questions will have to be considered, particularly as regards threat of injury, such, for example, as whether foreign producers have or have not other available markets for their goods, or whether the foreign industry is operated by the State.

*Changes in production, employment, wages, and profits.*—Judgment as to whether injury has actually occurred must in most instances depend largely on data regarding production, employment, wages, and earnings of the concerns in the domestic industry, and the changes therein, in the light of the particular circumstances surrounding each case. Adequate information with respect to some of these matters may sometimes not be readily available. In some cases, it may not be sufficiently up-to-date, especially if the competitive impact of increased imports has been sudden. Nevertheless available data will often be sufficient to indicate whether or not injury has already occurred. On the other hand, even complete and up-to-date information on these matters will often not reflect the degree to which increased imports threaten serious injury to domestic producers which has not yet actually occurred.

It is particularly important to note that an increase in imports may cause or threaten serious injury notwithstanding the fact that production and employment in the competing domestic industry may remain undiminished. Production and employment may have been maintained only at the expense of cuts in wages or in profits, or both, sufficient to keep prices competitive with those of imports. Employers or employees, or both, may thus have suffered loss in income involving real injury.

#### CONCLUSION

An attempt has been made in this report to state in general terms the nature of the criteria which the Tariff Commission believes will enable it to form a judgment as to whether or not the escape clause should be invoked and, if invoked, the character of the relief, if relief is found warranted, which should be afforded. Such a statement cannot be all-inclusive. American industry and agriculture are too large and too varied to permit at this time more than an indication of the various types of situations which might warrant action under the clause. The Commission will be receptive to any evidence offered by producers, importers or others regarding the relationship between imports and domestic production that may have a bearing on the effect of increased competition resulting from a concession made in a trade agreement. It does not intend by this report to suggest the exclusion of any information which interested parties may consider relevant.

#### APPENDIX

##### TEXT OF ARTICLE XIX OF THE GENEVA GENERAL AGREEMENT ON TARIFFS AND TRADE

##### *Emergency action on imports of particular products*

1. (a) If, as a result of unforeseen developments and of the effect of the of the obligations incurred by a contracting party under this Agreement, includ-

ing tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(b) If any product, which is the subject of a concession with respect to a preference, is being imported into the territory of a contracting party in the circumstances set forth in subparagraph (a) of this paragraph, so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a contracting party which receives or received such preference, the importing contracting party shall be free, if that other contracting party so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

2. Before any contracting party shall take action pursuant to the provisions of paragraph 1 of this Article, it shall give notice in writing to the CONTRACTING PARTIES as far in advance as may be practicable and shall afford the CONTRACTING PARTIES and those contracting parties having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in relation to a concession with respect to a preference, the notice shall name the contracting party which has requested the action. In critical circumstances, where delay would cause damage which it would be difficult to repair, action under paragraph 1 of this Article may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

3. (a) If agreement among the interested contracting parties with respect to the action is not reached, the contracting party which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected contracting parties shall then be free, not later than 90 days after such action is taken, to suspend, upon the expiration of 30 days from the day on which written notice of such suspension is received by the CONTRACTING PARTIES, the application to the trade of the contracting party taking such action, or, in the case envisaged in paragraph 1 (b) of this Article, to the trade of the contracting party requesting such action, of such substantially equivalent obligations or concessions under this Agreement the suspension of which the CONTRACTING PARTIES do not disapprove.

(b) Notwithstanding the provisions of subparagraph (a) of this paragraph, where action is taken under paragraph 2 of this Article without prior consultation and causes or threatens serious injury in the territory of a contracting party to the domestic producers of products affected by the action, that contracting party shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such obligations or concessions as may be necessary to prevent or remedy the injury.

The CHAIRMAN. All the difficulties that are present in giving advice in advance of the fact are present also in properly advising the President on whether he should escape; are there not?

Mr. RYDER. I don't think so, Senator.

The CHAIRMAN. I would like to get that very clear.

Mr. RYDER. There is this difference: Under the escape clause you have had experience under the agreement—you have a record of what has happened to imports and exports and what is the condition of the industry.

The CHAIRMAN. You have a fact, rather than a prediction.

Mr. RYDER. That is right. Whereas, particularly under present circumstances, when you don't know what is going to be the situation 3 years from now, and what is going to be the value of the different currencies, what is going to be the cost situation in the various countries, the element of prediction and of judgment in making the prediction is much greater.

The CHAIRMAN. So an escape that might be taken today might appear as a very bad mistake a year from now, due to the very factors that you mentioned.

Mr. RYDER. That is right.

The CHAIRMAN. You are aware of the provisions in the multilateral trade agreement which generalize escapes and permit all countries that are parties to the agreement to make their own compensatory escapes not limited to the precise article on which we escape?

Mr. RYDER. Oh, yes.

The CHAIRMAN. So, when you start to figure an escape, you also have to figure what escapes all these other countries might take; is that correct?

Mr. RYDER. That is right.

The CHAIRMAN. That would tend to give a lot of pause; would it not?

Mr. RYDER. It would not to the Tariff Commission. Of course, our work under the escape clause is to determine, which is a difficult enough task, whether the injury has occurred or is threatened.

The CHAIRMAN. I quite agree.

Mr. RYDER. The President would, of course, have to take into account other factors. He would no doubt take into account the kind of things that you have mentioned.

The CHAIRMAN. Exactly. You might well advise that under the material under which you are operating there should be an escape. The President, on the other hand, might look over the whole field of compensatory escapes which others might take and decide that we cannot, for that reason, take this escape.

Mr. RYDER. That is right.

The CHAIRMAN. The consequence of that being that perhaps a domestic industry might be injured, might be put out of business due to that cerebation of the President regarding other compensating escapes which might be taken.

Mr. RYDER. There is one point I would like to bring out in regard to that, Senator:

I had something to do with the drafting of the escape clause as it was originally drafted, and put in the Mexican Agreement. It was drafted because of the very obvious difficulty of foreseeing what would be the situation at the end of the war. The Mexican Agreement was made in the midst of the war.

Manifestly, what looked safe then now might in conditions after the war be entirely unsafe. So in solving that problem, we hit upon, at my suggestion, the present escape clause which is written into the Mexican Agreement.

There had been in preceding agreements escape clauses of various kinds, but they had been either of limited character or, in the case of the Argentine Agreement, which was also made during the war, an escape there which would only result in withdrawing particular concessions specified in the agreement.

The merit of the escape clause that we have at present is that you can use under that clause quotas for emergency purposes. Although I don't like the use of quotas as a general thing. For emergency purposes they are probably the best solution.

You can frequently set a quota which will allow a fairly liberal increase in trade to the foreign country and prevent injury to your industry. In other words, you can satisfy the wishes of the foreign country so that it will not retaliate and at the same time give at least a large measure of protection to your industry.

The CHAIRMAN. The quota is the most efficient of all controls, but it has under the view of those who do not like quotas certain repercussions which are undesirable.

Mr. RYDER. As a permanent policy or permanent solution it has many objections.

The CHAIRMAN. In other words, you can get in a race for quotas just the same as you can get in a tariff raising race or a tariff cutting race.

Mr. RYDER. Oh, yes; if you have because of a decline in exchange rate or for some other reason very large import of an article threatening injury to an industry, you can check that import by a quota and at the same time put the quota liberal enough so as to give relative satisfaction to the country involved.

The CHAIRMAN. Is it not a fact that under this bill, under the present system, in the escape clause, fluctuations in exchange can frustrate everything you are trying to do?

Mr. RYDER. It is conceivable that they might.

The CHAIRMAN. Mr. Clayton, I want you to note that especially.

Mr. CLAYTON. I have, sir.

The CHAIRMAN. Thank you very much, Mr. Ryder.

Are there any questions?

Mr. Ryder, before you leave I would like to read a letter which is dated May 28, 1948, addressed to me by Mr. John Gregg, Commissioner of the Tariff Commission. He says:

UNITED STATES TARIFF COMMISSION,  
Washington 25, D. C., May 28, 1948.

HON. EUGENE D. MILLIKIN,

*Chairman, Committee on Finance, United States Senate.*

DEAR SENATOR MILLIKIN: I am taking the liberty of writing you about H. R. 6556, the Gearhart bill, which I understand is now before the Finance Committee of the Senate. The comments and suggestions which follow express only my personal views and do not necessarily reflect any opinions which may be held by the other members of the Tariff Commission. I am led to do this both in order that any suggestions this letter may contain may receive such consideration as you may desire to give them, and to correct any impression which may have arisen that the views expressed by the Chairman of the Tariff Commission in his personal letter to Mr. Doughton of May 17, 1948, represent the views of the entire Commission.<sup>1</sup>

My principal difficulty with Chairman Ryder's letter to Mr. Doughton arises from the discussion in paragraph 7 as to whether H. R. 6556 will enable the Commission to render a better public service than it now performs. I do not agree that to charge the whole Tariff Commission with responsibility for giving advice to the President as to the extent to which a rate may be raised or lowered without serious injury to a domestic industry, if carried out, would be inconsistent with the Commission's present functions and obligations or damaging to its position as a bipartisan, fact-finding agency of the Government.

The Trade Agreements Act itself requires the President to seek the information and advice of the Tariff Commission prior to the negotiation of any agreement. As you know, the Commission and its staff already make available to the President and the negotiating authorities detailed information with respect to each of the products upon which changes in rates in the negotiation of a trade

<sup>1</sup> The letter referred to also has been referred to in this hearing during the testimony, Mr. Ryder.

agreement are considered. Certainly this part of the law can reasonably be interpreted also to require that the Tariff Commission advise the President how much of a change in a rate of duty can safely be made without serious injury to American industry. The expressed views of the President and the State Department throughout the past 14 years have been to the effect that it is not proposed to make changes in rates which would seriously damage domestic producers, and that principle is clearly implied in Executive Order 9832 which resulted from the discussions last year between the President, Senator Vandenberg, and yourself.

Obviously it would be practically unwise to proceed with negotiations without having the best judgment available on this critical subject. As a matter of fact, however, the procedure and machinery established under which advice is made available to the President and the negotiating authorities do not provide that the Tariff Commission as such shall give advice of this character to the negotiating authorities. Recommendations on this matter are made by the Interdepartmental Committee on Trade Agreements on which, to be sure, a member of the Tariff Commission sits. Such advice, however, as he may give as a member of the Interdepartmental Trade Agreements Committee is his own individual opinion and is not the result of Commission action; so far as I know, it never has been during the 14 years that the Trade Agreements Act has been in operation.

The bill now before your committee corrects this situation and it is my opinion that this should be done. I feel strongly that the President and the negotiating authorities should have the advice of the whole Commission and not that alone of one or more individual members.

I further believe that, once the negotiations are completed and the agreement has been made, the views of the Tariff Commission should be available to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate as a measure, at least, of the way in which the Commission carries out its obligations.

On the other hand, I think H. R. 6556 limits the work of the Tariff Commission in connection with trade-agreement negotiations to a degree which will detract from its usefulness. It seems to me inadvisable to preclude the Commission from giving its advice to the President or to the negotiating authorities with respect to the so-called "general provisions" of these agreements, for example, which in my judgment might prove of equal if not greater importance in their effect upon domestic industry and foreign trade than the changes in rates or other import restrictions which may be made. Certainly the Commission has contributed in the past in an important way with respect to such matters as valuation and customs administration, the effect of the most-favored-nation clause and preferential treatment, and the regulations affecting quantitative restrictions and foreign exchange.

I would hope too that the bill may be so worded as to permit negotiations to go forward to completion in the event the Commission should submit to the President a divided opinion.

Sincerely yours,

JOHN P. GREGG, *Commissioner*.

I thought I would read that while you were here, Mr. Ryder. I am not asking you to make any comment, because I assume that you might wish to avoid having an open fight with members of your own Commission.

Mr. RYDER. My own views have been made clear to the committee, and I do not think the letter was necessary in order to say that I did not speak for the Commission. I never assumed to do so. I made that clear in my letter to Mr. Doughton and I made it clear in the beginning of my statement to you.

Mr. CHAIRMAN. Mr. Clayton, before the hearing concludes, I believe it would be well to have about a two-page memorandum from the State Department, giving us its view of its legal authority to include the general provisions which it did include in the multilateral trade agreements.

Mr. CLAYTON. All right, sir.

(The memorandum will be found on p. 470.)

The CHAIRMAN. Any questions?

Thank you very much, Mr. Ryder.

Mr. RYDER. Thank you.

The CHAIRMAN. The next witness is Mr. Morris S. Rosenthal of the National Council of American Importers, Inc.

Be seated and make yourself comfortable and identify yourself to the reporter.

### STATEMENT OF MORRIS S. ROSENTHAL, PRESIDENT, NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.

Mr. ROSENTHAL. My name is Morris S. Rosenthal. I am president of the National Council of American Importers, Inc., and also president of Stein, Hall and Company, Inc., importers and manufacturers.

The National Council of American Importers is an organization of American citizens consisting of more than 600 members in 22 States importing something over 200 different types of raw materials, crude materials, foodstuffs, semiprocessed goods and finished goods.

The Council feels very strongly that H. R. 6556 does not continue the trade agreements program as it has been in effect under section 350 of the Tariff Act, and we would like to recommend extension of section 350 of the Tariff Act for a period of three years without change.

Inasmuch as the Congress has already recognized the importance of American participation in world economic and political matters and even more importantly, has recognized that American leadership in those affairs is vital in order to achieve stability and peace in the world, I do not think it is necessary for me to discuss in detail the economic aspects of the trade agreements policy. Furthermore, in reading the Congressional Record of the House debate on H. R. 6556, I sense that both sides, with very few exceptions, approved of the principle of trade agreements as a democratic and efficient means of increasing our exchange of goods with other countries. Hence, I would like to consider the legislation that is needed which will best implement that policy and which will best enable the executive branch of our Government to put it into action.

The Senate now has before it H. R. 6556, and I would like to discuss that bill in relation to Section 350 of the Tariff Act. This legislation in particular should have two basic objectives. First, it should enable us to arrive at trade agreement efficiently and speedily which will stimulate the foreign trade of the United States with other countries of the world so that our economy as a whole, as well as the economy of other nations, benefits from an increased flow of goods.

The CHAIRMAN. Just trade for trade's sake.

Mr. ROSENTHAL. No, sir. Trade for the sake of putting goods into consumption for the benefit of all people who need them, not only in the United States but elsewhere.

The CHAIRMAN. You would not base your argument on the suggestion that we should put our goods into a country which is able to supply the same goods for its own needs?

Mr. ROSENTHAL. I think competition is part of the free enterprise system, Mr. Chairman, and I think that only through healthy com-

petition will technological improvements take place, will add to the system which moves goods into distribution among all peoples.

The CHAIRMAN. It can be assumed, can it not, that a country to be the objective of that kind of trade would protect itself to prevent injury to its domestic industry?

Mr. ROSENTHAL. I think all countries have gone too far in their attempt to protect their industries, sometimes without regard to their own efficiency of production, without regard to the character of the goods that they can produce to better advantage, and without regard to the cost of goods to ultimate consumers.

I think an attempt must be made within reason to increase the flow to the cost of goods to ultimate consumers.

The CHAIRMAN. Every country in this world today is controlling its imports either by tariffs or by quotas or by exchange license or some other device. I assume that they all do it as measures of self-protection.

Mr. ROSENTHAL. I think they have all done it in what they have considered self-protection. I have frequently questioned the wisdom of the extent to which it has been done.

The CHAIRMAN. There is a school of thought that just unrationalyzed trade in ever-increasing volume all over the world is in and of itself a desirable objective. Do you subscribe to that theory?

Mr. ROSENTHAL. I don't think that is possible today, Senator. That takes us back to the very early thesis of comparative advantage of each country producing that which it can produce most efficiently and at lowest cost. I think the economic situation in all part of the world has grown too complex to be able to go back to that simple element. At the same time I think if we and other countries of the world work intelligently toward lowering all types of trade barriers and so increase the flow of goods, it will be beneficial.

The problem then is the efficient operation of such a policy to lead to the greatest good of the greatest number.

The CHAIRMAN. It comes back to the fact that each nation must necessarily judge the protection of its own vital interests.

Mr. ROSENTHAL. That is correct.

The CHAIRMAN. And that necessarily drives you into wise or unwise selective trade, does it not?

Mr. ROSENTHAL. Yes, sir; which leads me to my second point, which is that this legislation must give American industry and agriculture protection from serious injury to the extent warranted, considering the welfare of our economy as a whole, and that does include the efficiency of industrial units in various industries. It includes protection of the consumer, and it includes consideration as to how some of our mass production industries can achieve a satisfactory volume of exports abroad. There are a number of other factors. All of these factors enter into a sound policy of what constitutes sound protection, and not merely protection for the sake of protection without regard to all other phases of our economy.

The CHAIRMAN. I do not think there is any substantial school of thought that would go back to a Chinese wall protection view.

Mr. ROSENTHAL. No, sir. Therefore the legislation comes down as to how we can best accomplish these two objectives.

The CHAIRMAN. The basic philosophy that the President has announced, that the Secretary of State has announced, in securing successive renewals of the Reciprocal Trade Act, is that serious damage will not be done to domestic industry. Do you subscribe to that principle?

Mr. ROSENTHAL. We would subscribe to that principle.

The CHAIRMAN. Do you admit that should be the controlling principle?

Mr. ROSENTHAL. Yes, sir, but may I add to that merely that I subscribe to that basic principle, taking into consideration the other factors that I mentioned.

The CHAIRMAN. Then you would mitigate that principle, lessen it, weaken it, if you thought there were a compensating advantage or greater advantage to some other exporting interest, for example?

Mr. ROSENTHAL. I think that would be a mitigating circumstance which I believe the officials of government would have to consider so as to achieve the maximum amount of employment possible within the United States as a whole and also the maximum employment of capital in industry and agriculture in the United States.

The CHAIRMAN. I think you have well stated a principle which has not been frankly faced by some of our witnesses here. I am very glad to have a candid exposition of tariff theory.

Senator MARTIN. May I ask a question?

The CHAIRMAN. Certainly, Senator.

Senator MARTIN. How much consideration do you give to the wage scale of the different countries that are involved?

Mr. ROSENTHAL. That question has arisen a great many times, Senator, and I have read a great many studies of it and I have also discussed the matter with some of the representatives of labor organizations that have appeared before the Committee on Ways and Means. Certainly I give a great deal of attention to it, but I think the records have shown in some of the analyses that I have seen, going back to wage scales of 1939, that some of our mass production industries which do the greatest amount of exporting are among the best paying industries in the United States, and that in a great many other industries, even though wages abroad are far less than they are here, the rate of production per worker is so much less than here that our industries are able substantially to compete.

Senator MARTIN. How much consideration are you giving to the extraordinary demand for all production at the present time by reason of the scarcities?

Mr. ROSENTHAL. That is why I don't think we can judge by the present time at all. If we take the figures which I have here and which were published in the Congressional Record in the House debate, in the years 1938 and 1939, as compared with 1934 and 1935, our exports to trade-agreement countries increased percentagewise to a far greater extent than they did with non-trade-agreement countries. I am not saying, incidentally, that the trade-agreements program was the only factor. There were a great many other factors. But it is a factor, it is part, as I see it, of the whole American foreign policy which will lead to helping economic conditions here through helping us keep our large exports. What we have today in the way of figures



and the tremendous demands of our goods from the war-devastated countries of the world is no test.

Senator MARTIN. I was trying to bring out whether you have given consideration to that.

Mr. ROSENTHAL. I have given a great deal of consideration to it, and that is why I don't think that I would quote any figures of what is going on today to substantiate my basic position, because I would not.

Senator MARTIN. Is your estimate largely from the large industries, the so-called mass production? What consideration have you given to the small industry, where fewer than 500 people are employed?

Mr. ROSENTHAL. I would not want to pretend that I had made that detailed kind of study, Senator, but I would like to come back to one basic principle. I think that any making of tariffs is bound to affect American industry. If tariff rates are increased, that will help certain American manufacturers. It will also enable them to sell their goods at higher prices because there is less competition. If some tariff rates are reduced to a very low scale, it might have an adverse effect on certain industries.

I would come back to my principle that the problem to be studied is what will result in the greatest amount of employment at good wages plus the greatest amount of capital employed. I don't think any individual businessman is competent to come up with the answer. I think the businessman will seek the welfare of his own individual business which is his object in our economic system. I think government agencies working with other agencies of government must be charged with the responsibility of surveying the economy as a whole and doing the best possible job that they can do in order that we have the greatest amount of employment among our 140,000,000 citizens as well as the greatest amount of capital employed in industry and agriculture.

That is a very difficult balance to achieve, I confess, but I think that must be our objective.

Senator MARTIN. Mr. Chairman, what I am trying to bring out, and the witness seems to be in possession of a large amount of valuable material. I think right now we are having a great number of casualties among small business concerns in America, and that is of vital importance to our small communities, because unemployment means a lot to the economy of those communities. What I was getting at was how much consideration had been given to the 3,600,000 businesses in America which are owned by an average of  $2\frac{1}{2}$  people. After all is said, two-thirds of the labor of America is employed by those small concerns.

Mr. ROSENTHAL. I am sure, Senator, the details could be better given by the Department of Commerce or the Tariff Commission or the Department of State, than I can give them. From my own recent business experience, the few bankruptcies from which our company has suffered among its customers in the past year, have been in industries, frankly, that have had no foreign competition whatsoever, and to some extent I have been a bit puzzled by it. I would not want to attempt to answer that question. I think that is a problem that must be charged to those who have the making of these trade agreements, taking into account all of the factors in our economy. A completely inefficient unit, for example, or a unit employing very few people at

home, might not do us as much good as helping to build up American exports in some other industry with a much larger capital investment and a much larger employment of people.

I would not want as an individual business man to single out an individual industry, either, to help increase its exports or to harm it in the field of domestic production. I don't think that is what I could properly do. But that is definitely a problem that inevitably arises.

Senator MARTIN. I think that men in your own position to meet pay rolls and meet dividend requirements on capital invested are probably in a better position to give testimony on things of that kind than those of us engaged in Government.

Mr. ROSENTHAL. From my observation, which is a limited one, as a business man—I don't have the time to make detailed studies on all industries—the conduct of the trade agreements program since its inception has not been harmful to any American industry, and in my examination of the 1,400-odd pages of testimony before the Committee on Ways and Means last year, I did not see any evidence introduced by the representatives of any manufacturing industries or of agriculture in the United States that they had been harmed during the period that the trade agreements program has been in effect.

The CHAIRMAN. Mr. Rosenthal, to bring your theory into sharper perspective, let us suppose that the examination of X industry shows that it employs 100,000 people. Let us suppose that concessions would be offered whereby X industry would be put out of business as a result of the concession, but 200,000 additional people would be employed in another industry in this country. Would you wipe out X?

Mr. ROSENTHAL. I would have to take into consideration one more factor in connection with that, Senator, and that is the opportunities for increased capital investment in the industry that would be benefited by the employment of 200,000.

The CHAIRMAN. Let us assume that the investment in the 200,000-employee case would be double or triple or quadruple.

Mr. ROSENTHAL. If on net balance there would be greater employment and greater capital invested so that the 140,000,000 citizens would have that much more security and opportunity of earning dividends on their investment, I would be in favor of such a shift in American industry. That is my belief.

Senator MARTIN. May I ask another question?

The CHAIRMAN. Surely.

Senator MARTIN. I am not arguing this. It is a matter that the American people are facing. Do you consider it more important for the advantageous investment of that capital for the continuous employment of the men who might be disengaged by a change in economy?

Mr. ROSENTHAL. I think the employment of people is the more important of the two, Senator, but I think in our economy they go hand in hand.

Senator MARTIN. What I am trying to get at, Mr. Chairman, is that a man spends a lifetime in becoming an expert in the production of a certain type of steel or glass or pottery. Then if we change that, capital could very easily go to another community, but the man working in that plant cannot move everything he has in the world tied up in that community.

I am getting at whether first consideration should not be given to that individual who has spent a lifetime becoming an expert, and then by no fault of his, technology has come along and improved production conditions, whether or not there should not be consideration given to that man while it might not be to the total over-all economic advantage.

Mr. ROSENTHAL. Senator, I would venture the opinion that the technological changes of the past century have done more to shift our people in their locus of employment and the type of work they do, and have caused more changes in the flow of capital from one industry to another than any changes in our tariff rates in the last 14 years have done. That will continue to be true. The automobile supplanted the horse and buggy and the whip business, to which one of the members of the Committee on Ways and Means referred at the hearings which I attended. They have gone by the board substantially. With the new developments of the atomic age I am sure the field of physics will bring about more radical changes in American industry than any workings of the trade agreements program can possibly do.

I don't think it is possible to avoid them, and I realize they bring difficulties and heartbreaks.

Senator MARTIN. Mr. Chairman, I am not indicating my own position at all, but what makes a great country is to have as many people gainfully employed as possible and satisfactorily employed. I mean satisfactory to their own living standards and so forth.

Mr. ROSENTHAL. That is what I think the objective must be of those who have the duty of carrying out this program, to consider exactly what you stated, sir.

The CHAIRMAN. Mr. Rosenthal's theory, I suggest, is an honest and a candid theory. It is held always by free traders. I do not know whether or not you are a free trader. The impact of it would be, for example, that it would wipe out our sugar industry. It would wipe out our livestock industry. It would wipe out most of our mineral producing industries. It would wipe out a large number of small manufacturers, and the transition would be catastrophic to the Nation. It will never come about because the things that I have indicated would make deserts out of about 15 of our States.

Mr. ROSENTHAL. I am not advocating that, either, Senator, because I realize that. I am not advocating that by any manner of means. I am merely emphasizing some of the factors that I think must be taken into consideration in arriving at sound protection.

The CHAIRMAN. It would wipe out our cotton producing industry in this country.

Mr. ROSENTHAL. I am not suggesting that, either.

The CHAIRMAN. Go ahead, Mr. Rosenthal. Pardon the interruption.

Mr. ROSENTHAL. I don't think it necessary for me, Mr. Chairman, in view of Dr. Ryder's testimony, to review in detail the procedure existent under section 350. I would like to say in that connection that I think it has been a sound procedure. I think it has afforded all phases of our American economy to be heard in regard to the contemplated treaties. I think the records show the extent to which our foreign trade has increased. I think the record of our economy is good under it, and I don't think there have been complaints that any

one has not had a fair deal or that any industry has been adversely affected.

The CHAIRMAN. I suggest we have been living in a very abnormal world. At the present time there is shortage of things everywhere. We are delighted to take in almost anything we can get. Foreign countries are delighted to take anything that they can get that we pay for.

Mr. ROSENTHAL. I would also like to suggest, however, that I think that the President, acting through the Department of State, is the proper authority to be entrusted with the responsibility of negotiating the treaties with other countries. I say that because I feel that under existing world conditions we can not well separate our economic relations with other countries from our political relationships with them.

I think the two go hand in hand. I believe that the time has gone when the political relationships of states depends upon the personal relationships of the heads of states. I think that the economic relationships of the countries of the world to each other will largely dominate what we commonly call the political relationships in the world to come.

The CHAIRMAN. That is another way of saying, Mr. Rosenthal, I suggest, that to serve the diplomatic or political objectives of the country, the President should be empowered to wipe out an industry if it will serve those purposes.

Mr. ROSENTHAL. No, sir. May I suggest that the Congress, in section 350, has placed very definite limitations on the President acting through the State Department. That is the authority to raise or lower the duties first as of 1934 and now as of 1945, to raise or lower them as the case might be, not in excess of 50 percent. That is a definite limitation placed upon the President.

The CHAIRMAN. We did not provide that range within which to work so that the uttermost limits of the range may be reached to satisfy political objectives.

Mr. ROSENTHAL. I understand that, Mr. Chairman.

The CHAIRMAN. The range was provided as a range within which to negotiate consistent with assuring American industry against injury.

Mr. ROSENTHAL. Yes, sir. I think that with all of the problems confronting the Congress, both at home and in connection with foreign affairs, I think the Congress must of necessity give some delegation of authority to act within certain limits to the President in order that the Congress not bog itself down with details and in order to enable the executive branch of Government to do an efficient job. I concede that at the moment we have an anomalous situation, as we have had on other occasions, where the majority party of the Congress is not the same as that of the President of the United States and the executive branch of government. That has happened at other times. But that is also usually something, Mr. Chairman, that is speedily corrected by the American people one way or the other. It does seem to me that the majority party of the Congress should delegate certain functions within certain limits to the President of the United States as a board of directors does to the management of a corporation, and then have confidence in a President and Cabinet appointed by him

of the same party as the majority of the Congress usually is, to carry out the policies of the Congress intelligently and efficiently.

The CHAIRMAN. You have a very good idea there, Mr. Rosenthal. That is one of the features of this bill which I am not at the moment advocating. That is that the board of directors, the Congress, has a little check on what the officers are doing.

Mr. ROSENTHAL. I would like to deal with the bill, if I may, Mr. Chairman, because I don't think it does that.

The CHAIRMAN. Go ahead.

Mr. ROSENTHAL. If I may deal with the bill, then, I think the bill lessens efficiency. I think that the bill adds nothing to administrative efficiency. I realize in dealing with the Tariff Commission there is a difference of opinion even among the commissioners and among a great many members of the Congress and among business people, as to whether the Tariff Commission should have these particular functions.

I happen to think that they should not have these particular functions, for this reason: I think for the Tariff Commission to make these detailed studies on each and every product prior to negotiation is a task that would require a far larger personnel than it now has. Incidentally, when you consider that this bill is for a period of only 1 year, I don't see how the Tariff Commission could train the people to do the job within the next year.

The CHAIRMAN. You have heard the testimony that there really would be no work for it to do within a year.

Mr. ROSENTHAL. There are eight countries participating in the European Recovery Program with which we do not have a trade agreement.

The CHAIRMAN. Add them all up and what does it amount to?

Mr. ROSENTHAL. Not a great deal, but the principle is still important.

The CHAIRMAN. The State Department has said the only treaty they could think of on the spur of the moment, the only agreement they might want to make at the moment was with Greece. I have heard of one or two others; Portugal, for example.

Mr. ROSENTHAL. I have a list of eight.

The CHAIRMAN. I pointed out to Mr. Ryder that in view of the fact that they were equipped to give digests on 1,400 items, they ought to be able to handle these relatively unimportant agreements with both arms tied behind their backs.

Mr. ROSENTHAL. I don't think it is sound administration to put the Tariff Commission in the position of trying in advance to fix the so-called peril points which are bound to have a strangulating effect upon the President and the Department of State in their negotiations with other countries, which is bound to act as a damper on them in what they do, as well as the fact that I think there would be a tremendous amount of delay.

The CHAIRMAN. Your opinion follows through with complete logic from the premise on which you started.

Mr. ROSENTHAL. I think it does.

The CHAIRMAN. You are a breath of fresh air to the committee.

Mr. ROSENTHAL. Thank you, sir.

For that reason I would be reluctant to see the Tariff Commission given that very vast job in advance when I believe from my observation that the Committee for Reciprocity Information and the Trade Agreements Committee have both worked well. I would recommend

a change, Mr. Chairman, in administration if it had not been my observation that the existing administrative procedure has worked well, which leads me to the few criticisms that I have heard of section 350.

The CHAIRMAN. You will not be able to know, I suggest, what they have done that works well until the shortages of the world have more or less dried up and the world really gets on a competitive basis.

Mr. ROSENTHAL. Substantially, yes; but then the escape clause, in the drawing of which you participated, puts the Tariff Commission I think in a better position. It does not give it the tremendous volume of work in advance because there is an opportunity if a specific American industry thinks it is threatened—

The CHAIRMAN. Have you been here all morning?

Mr. ROSENTHAL. Yes, sir.

The CHAIRMAN. The escape clause, as has been pointed out, cannot be gone into with a view exclusive to the injuries involved in a particular industry.

Mr. ROSENTHAL. That is correct.

The CHAIRMAN. You have to go on and figure out what will happen by way of compensating escapes by the other countries, which in itself I suggest puts a damper on taking an escape which in my judgment renders the escape clause practically ineffective.

Mr. ROSENTHAL. I think the escape clause should be used very sparingly. The escape clause does give the Tariff Commission on its own motion or at the suggestion of the President or at the suggestion of any interested party, the opportunity of making such a study, and then it is quite true, as you say, that all other factors would have to be considered. I think that is important. I don't think that you can isolate any individual unit of an industry or any individual industry without considering its relationship to the economy as a whole.

The CHAIRMAN. The suggestion of Senator Vandenberg and myself was that the escape clause should serve the purpose of escaping injuries which could not be foreseen.

Mr. ROSENTHAL. Yes, sir.

The CHAIRMAN. The State Department now puts its main reliance on the escape clause and argues that we can take calculated risks because of the escape clause.

Mr. ROSENTHAL. I agree with that position, sir.

The CHAIRMAN. I know that you do.

Mr. ROSENTHAL. May I say I think it is a sound position because there is the opportunity, and I emphasize, again, that the problem that confronts the State Department or any other department of government in whatever it does is a consideration of the American economy as a whole. I think that is true of the Interstate Commerce Commission in its findings on freight rates. It has to consider not only the railroads but the movements of goods. That is true of what the Maritime Commission does. I think the escape clause does give the possibility for protection where protection is needed, but it is something that is to be used extremely sparingly and only where the President is satisfied that action need be taken.

I think it would be very unfortunate in the whole policy of increasing the movement of goods among the countries of the world if the escape clause were looked upon as something to be used freely.

The CHAIRMAN. The difficulty with the escape clause is that it takes an enormous amount of time to get out of it, to get the basic facts upon which a determination can be made, not only as to the individual industry which under the injury theory must be protected, but, as I say, the President has a lot of other things to think of in addition to protecting this individual industry against injury. He has to figure what will 40 other escapes cost us. So he may have to sacrifice the injury principle, and that is agreeable to you and hence again your argument is logical.

Mr. ROSENTHAL. I think also that the President would rely upon the Department of State as he must, in considering our over-all international relations.

The CHAIRMAN. I think we understand each other perfectly.

Mr. ROSENTHAL. Also, may I say at this point, I have the highest regard for the Tariff Commission. I know some of the commissioners and I know the members of their staff.

Incidentally, Mr. Chairman, I would submit that I think they need even a larger staff than they now have to do the job they are now supposed to do properly, without any consideration as to extending their power and duties.

The next point that I make is in regard to congressional veto of these trade agreements. There my logic follows along what I said earlier about what I think should be the powers delegated by the Congress. I don't think it has been a blanket abdication of the powers of the Congress at all. I think that if we look upon normal American political life as having an administration of the same political complexion as that of the majority party of the Congress, setting a limit of 50 percent up or down gives adequate protection. I think that to throw this back to the Congress in a negative sense I concede—

The CHAIRMAN. That, sir, is a limit, not a standard.

Mr. ROSENTHAL. It is a limit, not a standard.

The CHAIRMAN. Congress has no right to delegate powers without standards.

Mr. ROSENTHAL. I am not an authority on constitutional law, Mr. Chairman.

The CHAIRMAN. There is no one here who will deny that. No one in the room will deny that.

Mr. ROSENTHAL. Therefore, I submit that—

The CHAIRMAN. If anyone in the room does deny it, stand up and let us hear from him.

Mr. ROSENTHAL. I think there might well be a tendency to go back, as you yourself said before, no one wants to, to the log-rolling method of making tariff rates. I don't think it is something that is necessary or wise.

The CHAIRMAN. Let us get into that. We got into that yesterday. Let us do it again. The Congress will have to vote the whole thing up or down.

Mr. ROSENTHAL. Yes, sir.

The CHAIRMAN. It will not have the opportunity to swap back and forth. If I have some little thing in Colorado that I want to swap with Senator Connally in Texas, there will be no opportunity for that. You vote here up or down. Is that not correct?

Senator CONNALLY. I would not swap.

The CHAIRMAN. I will have to find somebody else if you remain adamant.

Mr. ROSENTHAL. I know that, Senator.

The CHAIRMAN. You are voting it up or down.

Mr. ROSENTHAL. Yes, sir.

The CHAIRMAN. And there is no log-rolling about it.

Mr. ROSENTHAL. No, sir; but what I think could happen—I think these things have happened, with all due respect to the Congress—if there are one or two items in the bill to which very strong exception is taken in an individual agreement, that agreement might be voted down and I do not think that would necessarily be sound. I don't think the Congress can make the economic studies on individual items to that extent. I think as long as you have limited the President to 50 percent up or down as limits, not standards, I think you can safely trust that to a President who after all is usually a member of the same party as is the majority of the Congress. I think it is sound administration, Mr. Chairman.

The CHAIRMAN. I would have more comfort if that were a fact.

Mr. ROSENTHAL. I am sure of that, Mr. Chairman; but I don't know which way you can be assured of your comfort. But as a matter of basic principle, I am inclined to think that has happened more often than not in the history of our American Government. I think it will continue to.

The CHAIRMAN. We struggle along even though there is a difference in politics.

Mr. ROSENTHAL. May I point out another part of H. R. 6556 which disturbs me. It extends the 50 percent decrease from the rates of 1945. However, it gives power to increase the rates 50 percent above 1934. I think that is unfortunate. I think it is unwise. I think it is unnecessary because the implications in it are, Mr. Chairman, that we are reverting to a somewhat blind protectionist policy without regard to the economic conditions of the world of today. I think it carries a very unfortunate implication regardless of the administration.

The CHAIRMAN. If the test is protection against injury, if it should require a raise, all of the reasons for decrease are present before the raise.

Mr. ROSENTHAL. Yes, sir; but I submit that up to date I don't think that is necessary. I think the implications of it are very bad, Mr. Chairman. I think it very definitely can lead us to go back to excessive tariff rates. By implication it extends the possibility of restoration of tariff rates which certainly would not be sound for the American economy. I submit in any extension of the principle, the rates should be 50 per cent up or down from the 1945 levels as in the act now in effect.

The CHAIRMAN. I suggest the rate should be whatever will protect American industry against injury up or down.

Mr. ROSENTHAL. Within the limits that I suggested, sir, I would agree.

The CHAIRMAN. Thank you very much, Mr. Rosenthal.

Mr. ROSENTHAL. Then another thing is, I think it unfortunate that the Act be extended for a period of only 1 year. If we accept the principle—



The CHAIRMAN. Are you aware of the fact that the State Department below the level of the Secretary of State was in serious doubt whether it would ask for any extension this year?

Mr. ROSENTHAL. I had heard rumors to that effect, Senator, but I had not been told that directly and I would venture if that were so, I would have disagreed with the Department of State on that, as I have on other occasions.

The CHAIRMAN. That again is an honest answer.

Mr. ROSENTHAL. I think that is important to extend it for a period of 3 years. I think if we accept the principle that in our economic workings with other countries of the world we wish to take the leadership in urging them to lower their trade barriers—I am not referring only to tariffs—and if we are going to do something on our own in leadership to encourage them to do likewise, after the several extensions for periods of 3 years, for the Congress now to extend it for only 1 year again carries with it the implication that we are backing out on what I feel strongly to be settled bipartisan American foreign policy.

The CHAIRMAN. There is no reason for that. We have always granted extensions to reciprocal trade.

Mr. ROSENTHAL. Yes, sir; but suddenly after granting them for periods of 3 years, with one exception of when it was 2 years, as in 1943, suddenly to do it for only one year with an election coming up in the fall assuredly carries with it the implication that this is not considered a sound method of conducting our foreign economic relations.

The CHAIRMAN. It also carries the implication that this subject should not be completely reviewed during an election year, and the very partisan facets which have developed out of this matter lend emphasis to that view.

Mr. ROSENTHAL. You see, Senator, I don't look upon the trade agreements program and policy as high tariff versus low tariff or as free trade versus protection. I think it should be beyond that by this time. I think we have learned that just as in our political relations we have to do a certain amount of negotiating with other countries, so we have to do the same in our economic relations. I don't think it is a political matter. I submit that it is a sound method for a country with an economic system such as our own to adopt and hold out to the world as our method of dealing with other countries toward the reduction of trade barriers which will increase the flow of goods.

I don't think it should be looked upon as a partisan political instrument at all regardless of the administration which created it and regardless of the political party which is the majority of the Congress today. I think it should be accepted bipartisan American foreign economic policy and as such endorsed by both parties. Then within the limits prescribed by the Congress, with efficient administration—

The CHAIRMAN. And standards?

Mr. ROSENTHAL. I don't know exactly what you would mean by standards. I think we have standards.

The CHAIRMAN. It is the thing against which you measure your limits.

Mr. ROSENTHAL. I think, Senator, you have them.

The CHAIRMAN. The standards under your theory, all of the theories which you have mentioned for making it a trade agreement.

Mr. ROSENTHAL. Yes, sir.

The CHAIRMAN. Under another theory, the standard is, you shall not do anything here that will injure American industry. That is the standard.

Mr. ROSENTHAL. What is the criteria of what you mean by injuring American industry and agriculture, Senator? I don't think I can pick one out.

The CHAIRMAN. All right. We cannot argue the whole subject of what goes into that standard and what has to be considered. There has to be a standard. It is either supplied by the administrative agencies as they see fit to do or it is supplied by the Congress.

Mr. ROSENTHAL. Right, but we have the limits.

The CHAIRMAN. Constitutionally it must be supplied by the Congress.

Mr. ROSENTHAL. I am assuming that section 350 is constitutional, and if it is constitutional, I feel that even though I might disagree at times with the executive branch of government, that broadly speaking the executive branch of government is just as concerned with the welfare of American industry and agriculture as any businessman is or as the Congress is. Thank you very much, sir.

The CHAIRMAN. Mr. Clem Johnston, of the United States Chamber of Commerce.

Be seated, please, and identify yourself to the reporter.

#### STATEMENT OF CLEM D. JOHNSTON, MEMBER OF THE BOARD, CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. JOHNSTON. I am Clem D. Johnston, proprietor of a public warehouse in Roanoke, Virginia, and a member of the board of directors of the Chamber of Commerce of the United States. I am here to present the views of the chamber in support of continuation of the trade agreements program.

Mr. Earl O. Shreve, president of the chamber, now in Europe attending a meeting of the International Chamber of Commerce, presented our views before a subcommittee of the House Ways and Means Committee. A copy of his statement on that occasion is appended to my statement and you may want to incorporate it in the record of these proceedings.

The Chamber of Commerce of the United States takes pride in the leadership business has provided in international affairs. Our organization has supported the concept of the United Nations and its efforts. We have supported the European Recovery Program. We have recently registered our favorable views concerning measures offering relief to displaced persons. In other words, we subscribe to a positive and aggressive approach to international matters—seeking for sound solutions which will be consistent with the social, economic, and political philosophy which has been so abundantly proven by the strength of our own great Nation.

There is a close relationship between the trade agreements program and certain of our other international obligations and interests. Particularly is this true with the European recovery program, which

requires the beneficiary countries to develop a pattern of trade reciprocity. We must advance aggressively and meet the challenge of these world problems by every forward-looking measure consistent with our way of life. We have, in the trade agreements program, an instrument which has proven its merit. Let us not destroy its value by hastily considered improvisation.

This point of view is not a sudden innovation with the Chamber. The membership at the twenty-first annual meeting on May 5, 1933, adopted a policy urging the development of a system of trade agreements which, while providing reasonable protection for industry and agriculture, would be in the national interest. Since that day, more than a year before the enactment of the Trade Agreements Act on June 12, 1934, the Chamber has consistently supported this program.

The present policy of the Chamber was adopted by referendum of the 2,500 organization members we had in June 1946. By a vote of 2,443 to 17, those organizations said:

The policy of the Trade Agreement Act should be continued. This policy gives adequate authority for the Government, through its established agencies of negotiation and administration, to reach effective agreements for the reciprocal and selective adjustment of tariffs and other barriers to trade, including quota restrictions and other obstacles to the reasonable flow of goods and services.

There should be appropriate safeguards in legislative provisions for ample public notice and open hearings, and clauses in the agreement providing, in case of unforeseen developments, for the modification or withdrawal of concessions, in order to prevent serious injury to domestic producers. Neither in the original form nor in the practical application by reason of events that were not contemplated should agreements be permitted to cause destructive competition in American agriculture or industry.

The CHAIRMAN. You subscribe to the principle that the agreement should not be made if it threatens serious injury; do you not?

MR. JOHNSTON. I do, sir.

We do not believe that the proposed legislation now being considered, H. R. 6556, is consistent with this policy. The bill can hardly be looked upon as a continuation of the trade agreements program in its historic concept, even for 1 year.

It may be assumed that those nations of the world who look to the United States for postwar leadership may question the good faith and intentions of our Nation. It seems probable that some might read into this act a complete repudiation of our "goal of maximum beneficial world trade." The difficulties attendant upon the new procedures proposed in the House bill would make realization of our original purpose highly unlikely.

Placing all responsibility in the Tariff Commission for the determination of so-called "peril points" appears to have several undesirable effects. These "peril points" are the maximum and minimum points between which negotiations could proceed without reference to Congress. It is doubtful whether the Tariff Commission could achieve the wide correlation of diverse interests that is now obtained through the interdepartmental committees.

In the light of its historic functions, the Tariff Commission would probably be chiefly concerned with the impact against the specific domestic commodities involved in negotiation. For the best interests of this country, equal consideration should be given to other producers, to consumers, and to the public generally.

To vest the power of determining these "peril points" solely in the Tariff Commission would make that organization vulnerable to the pressure of affected interests to a degree that might challenge the recognized objectivity of this valuable agency.

Such a concentration of authority might cause the Commission, from the standpoint of self-protection, to set "peril points" so conservatively that successful negotiation would have to exceed the range of option. This would mean that almost every successful agreement would necessarily have to go to Congress for approval. Thus, it is not only conceivable but even probable that this act may return the highly technical subject of tariff writing to the crowded calendars of Congress.

H. R. 6556 would require the Tariff Commission to assume a policy-making function which in the past it has seldom exercised. It does not seem advisable to disturb the purely fact-finding function which it has performed so well by using it to establish policies of such grave potentialities as contemplated under H. R. 6556. Such decisions would have to be made not on fact alone but also upon the basis of assumptions and estimates of future probabilities.

The CHAIRMAN. Were you here this morning during the testimony of Mr. Ryder?

Mr. JOHNSTON. I was; yes.

The CHAIRMAN. Did you hear the letter of the other gentleman?

Mr. JOHNSTON. Mr. Gregg; yes.

In my opinion, this responsibility would be performed much better by existing interdepartmental committees, composed as they are of representatives of seven Federal agencies, the Tariff Commission and the Departments of Labor, State, Commerce, Treasury, Agriculture, and of the National Military Establishment.

The changes proposed for the administration of the trade agreements program by H. R. 6556 would have the effect of greatly impairing the intent and spirit of the original law, to expand foreign markets for products of the United States, to afford corresponding markets for foreign products in the United States, and to reduce or eliminate existing trade barriers.

Moreover, extension of the legislation for only 1 year, together with the radical changes proposed, would cause many persons to assume that this is the first step toward eventual discontinuance of this program. Businessmen fear uncertainty even more than they fear adverse conditions. They are accustomed to face known conditions, however adverse, and adjust to meet them.

But faced with uncertainty, they cannot plan ahead, they are reluctant to invest in highly specialized plants and machinery, they cannot devise long range sales programs. Passage of the House bill would be extremely unfortunate, for such action would reflect an attitude of hesitation and uncertainty as to our future trade policies. It would also be interpreted as a reversal of attitude in respect to international cooperation in recovery and the restoration of a healthy multilateral world trade.

The position and the responsibility of the United States in world affairs at the present time require constructive and statesmanlike leadership. We have provided that leadership in numerous measures we have taken looking toward restoration of world economy, and

removal of impediments to trade. Our friendly relations with foreign countries should not be clouded by any steps which could be interpreted as a substantial alteration of proven policy.

The CHAIRMAN. You do not suggest that we should regulate our important policies on the basis of what the other fellow thinks; do you?

Mr. JOHNSTON. Yes, I think in the case of world recovery the attitude of the foreign nations, the spirit of hope that has recently been engendered, is important. There was a spirit of hopelessness throughout the world that the Marshall plan largely contravened.

The CHAIRMAN. Let me put it to you in another way:

If we were pursuing what you would agree would be a wrong policy, should we rectify it because someone might not like it outside this country?

Mr. JOHNSTON. I think the interests of the United States and the interests of the world in general have become largely synonymous. We certainly are not going to do it simply because someone is opposed.

The CHAIRMAN. Of course not. I mean you can put too much sale on that argument. The point is to protect our best interests and our proper place in the world.

Mr. JOHNSTON. Correct, sir.

The CHAIRMAN. And we should do that even though it may be misunderstood; is that not correct?

Mr. JOHNSTON. We would be willing to do it if that were to our best interests; yes.

The CHAIRMAN. Of course.

Mr. JOHNSTON. The trade agreements program has been our tariff policy since 1934. The House bill was introduced only 13 days before it was passed. If that bill should become law, we would have changed a basic foreign economic policy without adequate public deliberation or public mandate.

The CHAIRMAN. Are you aware of the scope of the hearings held last year in the House?

Mr. JOHNSTON. Only in a general way, sir. I knew that there were extensive hearings last year.

The CHAIRMAN. Very extensive.

On the Senate side here, we had 10 to 12 days of hearings on the general subject of reciprocal trade, and the proposed ITO. The subject is no stranger here at all. Very full hearings have been held upon it.

Mr. JOHNSTON. On the basis of the general subject; yes. On this particular bill, I understood that there were only 13 days between the introduction of H. R. 6556 and its passage by the House.

The CHAIRMAN. The Congress has the basic knowledge which it has derived from hearings last year on both sides, out of which someone might propose a bill of this kind.

I suggest without another word of evidence we would be amply provided with sufficient information to determine whether this is or is not a good bill.

Mr. JOHNSTON. Simply from the Chamber of Commerce of the United States' point of view, we have not had an opportunity to hear from our constituent members regarding their position except in a few instances within the 13 days' time that elapsed.

The CHAIRMAN. Then your constituent members must not be on the sucker list being deluged with form letters and telegrams to be sent in here to us.

Mr. JOHNSTON. The Chamber of Commerce of the United States wishes to reiterate its previous position that present legislation and existing Executive orders, including the present escape clause, provide adequate safeguards. We hope this committee will approve a measure which will extend the present trade agreements program for 3 years without change.

The CHAIRMAN. Thank you very much, Mr. Johnston.

Are there any questions, Senator?

Thank you very much, sir.

Mr. JOHNSTON. Thank you, sir.

(The statement of Mr. Shreve follows:)

STATEMENT BY EARL O. SHREVE, PRESIDENT, CHAMBER OF COMMERCE OF THE UNITED STATES

I am Earl O. Shreve, president of the Chamber of Commerce of the United States. I wish to express my appreciation to this committee for the opportunity to appear before you to present the views of the Chamber of Commerce on this vital subject of Trade Agreements Act renewal.

With me is Mr. Curt G. Pfeiffer, member of the Chamber's Foreign Commerce Department Committee, who will be associated with me in my presentation and who is particularly familiar with the Chamber's long and consistent policy on trade agreements.

I am disappointed, however, Mr. Chairman, that it is necessary to conduct closed and limited hearings on a subject which has such vital importance at this time, and that many organizations will not have the opportunity to express their views. Many local chambers of commerce and trade organizations, as well as some American chambers of commerce abroad, have taken positions on the matter and undoubtedly would like to make their comments regarding extension directly to the committee.

At its twenty-first annual meeting on May 5, 1933, the Chamber of Commerce of the United States adopted a policy urging the development of a system of trade agreements which, while providing reasonable protection for industry and agriculture, would be in the national interest.

This policy was subsequently reaffirmed and strengthened by our membership in 1934 and 1938.

In 1943 a policy was adopted urging specifically that: "The policy of the Trade Agreements Act should be continued." This policy expressed approval of the established procedures for negotiation and administration of the program. The necessity was stressed for "legislative provision for ample public notice and open hearings, and clauses in the agreements providing, in case of unforeseen developments, for the modification or withdrawal of concessions, in order to prevent serious injury to domestic producers."

This sequence of policy has been outlined to you in some detail to indicate that the Chamber's present position has resulted from 15 years of continuing studies and that our policy position has consistently supported this trade agreements program.

Our present policy was adopted by referendum of the 2,500 organization members we had in June 1946. By a vote of 2,443 to 17, those organizations said:

"The policy of the Trade Agreements Act should be continued. This policy gives adequate authority for the Government, through its established agencies of negotiation and administration, to reach effective agreements for the reciprocal and selective adjustment of tariffs and other barriers to trade, including quota restrictions and other obstacles to the reasonable flow of goods and services.

"There should be appropriate safeguards in legislative provisions for ample public notice and open hearings, and clauses in the agreements providing, in case of unforeseen developments, for the modification or withdrawal of concessions, in order to prevent serious injury to domestic producers. Neither in the original form nor in practical application by reason of events that were not contemplated should agreements be permitted to cause destructive competition in American agriculture or industry."

By this policy, the membership recognizes the importance of having available at all times appropriate executive machinery for the prompt adjustment of tariffs through reciprocal negotiation, flexible enough to meet rapidly changing world economic conditions. At the same time, one of the fundamentals of the Chamber's position has been, very naturally, that the administrative machinery contain adequate safeguards for the protection of domestic industry and agriculture from destructive competition by foreign goods.

The principal opposition to the legislation has been, of course, on the latter point. There may have been some temporary disturbance in some lines of business as a result of adjustments necessary to meet altered conditions, and there has been probably a greater degree of competition, short of permanent injury. It is my opinion, and I think this is shared by many persons who have been intimately associated with the details of the program, that the opposition as voiced by many interests has been prompted more by apprehension as to possible future injury than by actual experience of destructive effects. It is true, certainly, that instances in which actual injury has occurred, and which have been serious enough to warrant recourse to the established machinery for the correction of abuses, have been very few indeed.

Nevertheless, in saying this, I do not mean to minimize or brush aside the possibilities of injury, even under agreements which have been in force for many years. I think we should be constantly alert to such possibilities, and not to allow unfair or injurious instances to gain headway. We should remember that ever since the beginning of the program, even before the war, abnormal economic forces have been at work which have made it impossible, virtually, for us to judge what results actually might have flowed from the agreements had more normal conditions and relationships prevailed. The disruptions and dislocations in trade during the war years were convulsive and in the prewar period recovery from the depression lows were erratic, and accompanied in the latter years by preparation for war in some areas. These conditions have made it very difficult to assess the true effect of many of the earlier tariff concessions. Very abnormal conditions still persist and will be present until recovery in Europe and other war-torn areas gradually arrives. As recovery takes place, it will be increasingly important that extreme care be exercised by administrative authorities, not only in making new concessions, but in watching the effects of the very substantial reductions which we have made in our tariff schedules over the years, and particularly those made in the Geneva negotiations.

The administrative machinery for negotiation, and for the determination of articles on which concessions in our tariffs may be made with safety, has been improved and strengthened through the years, as experience has dictated. The recent requirement under Executive Order No. 9832 of February 25, 1947, which provides for the inclusion of general escape clauses in all trade agreements entered into after that date, has, I think, greatly strengthened the features of the program which are aimed at the safeguarding of our domestic producing interests. Under this clause, the United States is free to withdraw or modify any concession which is found, in the judgment of the Tariff Commission, after public hearing, to be threatening or causing serious injury to domestic producers. It forms a part now of all agreements which were negotiated with the participating countries at Geneva last year, and those negotiated previously with Mexico and Paraguay.

Confidence in the program should be strengthened further by another provision of the Executive order, which requires the Tariff Commission to keep informed at all times on the operation and effect of the provisions relating to duties and other restrictions, and to render, at least once a year to the President and to Congress, a factual report on the operation of the program.

From the point of view of practical operation, I cannot see advantage in changing the present basic legislation in such ways as would restrict the flexibility of administrative procedure which has characterized the program since its inception. Congress in renewing the legislation for 3 years should oppose any amendment to the act which will nullify the advantages in the present system of negotiation and administration.

In view of the leadership which the United States is taking in so many ways to encourage international cooperation, the removal of burdensome trade restrictions, and the restoration as promptly as possible of healthy world economic conditions, any restriction on or crippling of the trade agreements program which would destroy its effectiveness, particularly at this time, would have very undesirable repercussions. Discontinuance or impairment would destroy consistency

in United States policy and would undermine world confidence in the sincerity and permanence of our international leadership, a confidence which could not be restored easily.

In conclusion, the Chamber at its thirty-sixth annual meeting which closed last Thursday, reaffirmed a policy adopted in 1945 entitled "Restrictive Practices in Foreign Trade" which I quote:

"The Chamber of Commerce endorses the principle that a greater production and wider distribution of goods at lower prices to all peoples from all sources of the world will improve the level of world prosperity and promote a gradually rising world standard of living.

"The principle of nondiscriminatory multilateral economic relations is the basis of the foreign economic policy of the United States.

"The existence of excessive and unreasonable tariffs and all forms of discrimination whether through exchange controls, quotas, preferential treatment, monopolies, subsidies, bilateral trade and exchange agreements and other trade restrictions seriously obstructs such wider production and distribution.

"The Chamber of Commerce urges that the United States Government declare itself as opposed to all such restrictive practices in the administration of its own foreign trade policy, and in all its trade agreements and other negotiations with other nations exert its full influence toward the early elimination of these practices."

The CHAIRMAN. Dr. Mildred Northrup, please.

Dr. Northrup, will you make yourself comfortable and identify yourself to the reporter?

#### STATEMENT OF DR. MILDRED NORTHRUP, ASSOCIATE PROFESSOR OF ECONOMICS, BRYN MAWR COLLEGE

Dr. NORTHRUP. I am Mildred Northrup, associate professor of economics at Bryn Mawr College. I was called here this morning, I think, to speak for myself as an expert, but also I am speaking for other women's organizations.

I should like to say that these organizations know that I am here this morning. I shall speak as an individual. They will file their own statements, if they may, but they wanted you to know that they were interested.

The CHAIRMAN. We will be very glad to have their statements.

Dr. NORTHRUP. The League of Women Voters, the Women's Action Committee for Lasting Peace, the National Women's Trade Union League, the United Council of Church Women, the National Council of Jewish Women, the National Board of the YWCA, and the Women's International League for Peace and Freedom.

I don't know what you think about women's organizations in general, but my—

The CHAIRMAN. Any man in my business must have a very high regard for them.

Dr. NORTHRUP. Thank you. I am glad to get that statement from you.

We have been working for years, as you know, and I have the highest respect for the intelligence and the wisdom of these women's organizations.

I should like to make also the point very clear that the policy determinations that they take and the statements that they file with you are made on the most wide, democratic basis in national conference and meeting assembled, so they are perfectly intelligent in the field in which they act.



I should like to say, now speaking for myself, but I think representing the general policy of these organizations: I am against H. R. 6556 on five major counts. The first, because of the general conception of the tariff which is implicit throughout the bill.

In the second place, because of the method that it sets up. In the third place, because it does give the added provision for an increase in tariff rates over the 1930 rates, and in the fourth place, because of the veto, and in the fifth place, the 1-year extension provision.

I should like to go back first of all to the tariff, because in my field in international economics I have become more and more impressed as we move into this realm of international economic relations that the tariff has been lifted out of a single conception.

It is not just the tariff any more. It is one of the most essential instruments of commercial policy that this country has had in its own hands. We use the tariff as other countries use exchange controls or the quota or other weapons in international trade. In the international aspects of the use of the tariff it seems to me most important that everybody in this country realizes that the tariff is one element of commercial policy, and our commercial policy is what we stand and fall on before the world.

Also, as far as the tariff is concerned, the tariff has become one of the most complex instruments of commercial policy. You cannot look upon the tariff just as a single rate falling upon a single industry. You have export aspects of the tariff. You have repercussions that might fall on total income. You have repercussions that might fall upon consumers' prices, if you will.

In the determination of the tariff in this country, as I have watched the Reciprocal Trade Agreements Act go through, the Treasury Department is interested in a tariff negotiation. The Department of Agriculture must be interested. The Department of Commerce is delegated the responsibility for exports. It must be interested in our import policy.

The Tariff Commission—of course, everybody is heavily relying on the Tariff Commission. The State Department is responsible for the treaty negotiations of the tariff.

H. R. 6556 actually removes that type of determination on the tariff. It sets the Tariff Commission up alone, in isolation, really, and permits the single channel of single interests, which is the protective producers' interests, to fall upon the determination of that tariff rate.

That is a kind of vitiation of the whole meaning of the tariff which makes me come out with a strong feeling of fear, really, that if this method of tariff determination is set up we will no longer have a way of finding the correct type of tariff for the best interests of the whole economy, and that is one of the strongest feelings that I have.

The second point that I should like to make is that the provision in the bill which permits us to lift the tariff rates 50 percent above the 1930 rates, if necessary, is one which does in effect reverse the tariff policy of the United States.

In other words, it does say that in certain instances we may have a high protective tariff.

The CHAIRMAN. That is implicit in the present act.

Dr. NORTHROP. That is implicit in the present act, except we have said—

The CHAIRMAN. It may go up as well as down.

Dr. NORTHROP. But the 1945 act permits a cut in the 1945 rates. We go further and permit an increase of 50 percent over the 1930 rates.

The CHAIRMAN. Your suggestion is they should be better balanced?

Dr. NORTHROP. My suggestion is that they should be much better balanced.

The CHAIRMAN. You have no objection to a raise in the rates, if it is well founded?

Dr. NORTHROP. Yes. If it were clearly known that the United States, the greatest nation in the world, were going to maintain that economic strength upon which its power rests, but is also going to stand before the world as a nation interested in freeing trade. That is it, really.

The CHAIRMAN. I think I would agree with you 100 percent. I think you have made a very summary statement of what our policy should be. We should protect the United States and maintain our proper place of leadership and of influence in the world, but also protecting our own strength.

Dr. NORTHROP. If by protection you mean our total economy, yes; I would agree with that 100 percent, too.

I think sometimes we use the word "protection" differently. I would not agree with you that by protecting any one industry you would maintain and protect the power position of the United States.

The CHAIRMAN. If you had a policy of cushion on one industry, which policy enables you to move to a succession of industries, pretty soon you would have accomplished what might be a very catastrophic result in the over-all economy.

Dr. NORTHROP. I think if we always keep in mind the fact that all of the interests are to be represented in the determination of our tariff policy, we would not go far wrong. I think when we permit special interests to be too heavily channeled in any one place, we might do that.

Senator MARTIN. I am very much interested in what you are saying concerning keeping the over-all economy strong.

What do you mean by having all parties interested? I think if you would elaborate on that, it would make a little clearer.

Dr. NORTHROP. Senator Martin, I think the thing is this: The tariff is one instrument of commercial policy, but however we use it will affect in the first place our real level of exports—our export policy. It will affect the kind of goods that are bought and sold in this country. It will affect the pricing of those goods. It will affect specifically industries, sometimes not just the industry protected but related industries, working back to raw material prices.

So you have, too, to look upon the tariff as something that effects the total economy even in the process of making it. Do you see what I mean; it is not just the one single industry determination. All sorts of people have interests. Labor groups are interested in the tariff. Consumers are certainly interested in the tariff. The individual producer is interested. That is what I meant, you see.

The thing about the determination is that at every stage those interests have to be represented to balance each other, or else you will just go back to a high protective system.

The CHAIRMAN. The effect of your argument would be to weaken or possibly to destroy the principle of protecting individual industries. I believe you would be prepared to say, if I understood you correctly, that you would subscribe perhaps to the theory that was advanced by Mr. Rosenthal, that you would say that if wiping out the jobs of 100,000 employees in one industry would add 200,000 employees in another industry, I believe your theory would carry you to the decision to destroy the first industry.

Dr. NORTHROP. You are asking an economist a question which we always like to answer, you see. The total economy has now got to have opportunities for jobs, increasing standards of living, or else the United States will not maintain its full prosperity. Within that there will be lags with the invention process, the investment of capital, and so on. There will be leads and lags by industry. Otherwise, the net implication is to be static, with no change.

If you are asking me, should a tariff policy take care of the leads and lags in the process of new invention and new growth, I think it should not. I think this Government is wise enough to find ways of taking care of the leads and lags as industries change, as they are bound to do, with policies quite other than the tariff which affects the whole economy and our international relations.

The CHAIRMAN. What would you do in the case suggested?

Dr. NORTHROP. Right off the bat you want me to say what to do. I think that would require hearings of a long time. If there is some industry that is going down, as Mr. Rosenthal mentioned, the whip industry, you might have to have old-age pensions. You might have to educate the sons. You might have to have unemployment benefits.

The CHAIRMAN. You have touched on a very important feature of it. You get to enormously increased governmental controls when you follow out the strictly logical process, because you have to take care of these people who are put out of these subefficient industries.

Dr. NORTHROP. We are getting wide afield, but let me just say that I think a tariff policy unless wisely used has wide implications.

The CHAIRMAN. I would agree. I would be arguing for sin if I did not agree with that.

Proceed, please.

Dr. NORTHROP. The next point that I wanted to make about H. R. 6556 is simply that the method set up seems to me, aside from all these basic implications, clumsy and unworkable. If the Committee on reciprocity is to continue negotiation and the Tariff Commission at the same time is to make its independent determinations, cut off, really, in isolation, not being able to talk with the others or even to participate in what we get back in bargaining a tariff; they sit there and make up their own minds about the tariff rates, and then suppose they come into conflict? They have to have a large staff. All the other departments of the Government have to continue. If they come into conflict, the Congress acts on the whole thing, as you say, but in order to act on the whole thing it has to have its staff or it has to dig into it.

In other words, it is a clumsy, unworkable type of arrangement.

The CHAIRMAN. Someone has to make the decision. At the present time a single man, the President of the United States, has to make it.

Dr. NORTHROP. Yes; but with advice. Now, we have three ways of doing it.

The CHAIRMAN. It has been stated here again and again without challenge that the Tariff Commission will have the advice of every one of these agencies to which you referred.

Dr. NORTHROP. The thing about the Reciprocal Trade Agreements Act, which I think is one of its most successful features, is the recognition that the setting of a tariff is a reciprocal thing.

In other words one country does something to another by the tariff. Another country does something to us. Once you lift that into international negotiation, the principle of reciprocity becomes one of the most important things. From that you have removed the Tariff Commission completely from that type of negotiation.

The CHAIRMAN. The Tariff Commission does not negotiate any more than does the Interdepartmental Committee. They do not do the negotiating.

Dr. NORTHROP. No.

The CHAIRMAN. They set the range.

Dr. NORTHROP. They set the range.

The CHAIRMAN. Which they hand to the negotiators, and the negotiators do the business.

Dr. NORTHROP. If the Congress sets the range, as it does do, then you have within that range a second range without the benefit of all of the interests involved and without the benefit of finding what the total benefit to the economy would be from the reciprocity nature of the negotiation. That is, I think, a limitation upon the Tariff Commission.

The CHAIRMAN. There would be no hurdles to prevent the Tariff Commission from getting all of that information. It does in its ordinary, day-to-day functioning. It consults all the information available in all these departments. It is accustomed to doing that.

Dr. NORTHROP. Then we have the same thing going on in two places; just the same thing in two places. I am a taxpayer, too, I would like to reduce the cost of Government.

In this I believe you are going to duplicate it. I just said it is clumsy and I think it is clumsy. I think Government departments being what they are, might work out a working agreement, but it would cost us an awful lot more, and I am not sure we would get anything out of it.

The CHAIRMAN. In terms of eliminating clumsiness, you do that best by reducing the number of agencies that have the power of decision. I am not saying that is advisable, but I think in terms of giving a new look to your organization chart you do that best by having the smallest possible number of deciding agencies.

Dr. NORTHROP. I think I would have to come back to what I said in the beginning. I think the tariff, as a tariff, has become a diffused kind of thing. It does not lie singly in the decision of any one agency. I should not like to have a tariff decision made without the National Defense Board being present when it was made.

I should not like to have a tariff decision made without Agriculture and Labor, Commerce, Treasury, who is responsible for the counter-valuing duties, and so forth.

The CHAIRMAN. I certainly would want them consulted.

Dr. NORTHROP. Because their interests are as important as anything else. I think I would have to answer you that way.

Aside from the clumsy nature, we come then to the 1-year provision.

It does seem to me that we have been dealing for 14 years with a matter of policy on trade. I know that you have said in questioning that in an election year it is perhaps unwise to do anything except extend the Reciprocal Trade Agreements Act for 1 year, but it seems to me that that is making the decision even more political than it need be, that by acting firmly and with decision in the line of broad policy that this country has developed for 14 years we would be taking a nonpolitical and nonpartisan decision which this country very greatly needs at this time.

That concludes the testimony that I wish to make.

The CHAIRMAN. The decision we are going to make on this bill will be nonpolitical and nonpartisan.

Dr. NORTHROP. I would hope so. I think the 1-year provision limits us in foreign policy. I think it limits us to what we say and mean in commercial policy before the world. I think to the rest of the world at large it makes the United States look a little timid and chancy and perhaps reversing itself.

We are asking them to take firm decisions and steps in the realm of trade.

The CHAIRMAN. Whatever is done, I believe you will find it will be very widely supported on both sides of the aisle, and maybe truly called a bipartisan policy.

Dr. NORTHROP. I think that is exactly where it should be. I hope very much that a bipartisan decision for 3 years can be made.

The CHAIRMAN. Thank you very much.

Dr. NORTHROP. Thank you.

The CHAIRMAN. Mr. Carey, please?

I am glad to see you, Mr. Carey. Will you make yourself comfortable and identify yourself to the reporter?

#### STATEMENT OF JAMES B. CAREY, CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. CAREY. I am James B. Carey, the National Secretary-Treasurer of the Congress of Industrial Organizations.

Mr. Chairman, and members of the committee: I would like to submit for the record and the consideration of the committee a statement on Reciprocal Trade Agreements and also to supplement that statement by a very short, perhaps 5-minute statement.

The importance of the Reciprocal Trade Agreements program makes it imperative that I supplement my testimony in a brief statement.

Since the first of the year, I have visited Europe twice on extended trips, dealing largely on both occasions with the importance of the European Recovery program and the high necessity that the program

succeed. It will not succeed unless its various phases are accorded equal importance. The Reciprocal Trade Agreements program is one of the ERP's important phases.

The American labor movement and particular the Congress of Industrial Organizations has been committed since 1942 to a program of international economic assistance that will enable the war-devastated countries to reestablish their economies. Hand-in-hand with this objective goes, of course, the high moral obligation of meeting the immediate needs of the people in those countries. We recognize fully the need for relief programs, but we do not believe that relief programs alone will meet the requirements. Relief and rehabilitation go hand in hand, but it is only through rehabilitation that we can eliminate the need for relief programs.

I would like to emphasize to this committee the four important factors, which, in my opinion, call for right reason and sound judgment promptly exercised.

(1) The immediate matter before this committee, the Reciprocal Trade Agreements program, is one of these factors. Intercourse between and among the peoples of the various nations must be relieved of stifling influences. Trade barriers are artificial obstructions to such international cooperation, erected because of confused thinking dictated by selfishness. At the risk of seeming trite, I repeat the economic proverb that exchanges between peoples and nationals always take place in terms of goods and services. The Reciprocal Trade Agreements program is a practical step to facilitate such exchanges, and the safeguards in the existing law are ample to protect our immediate economic structure.

(2) It is most important that there be no serious time lag between promise and performance in the European Recovery program. This point again has a bearing on the Reciprocal Trade Agreements program. The ERP should be gotten into immediate operation and in that connection, preservation of the Reciprocal Trade Agreements and passage of necessary appropriations are imperative. If the people of the participating European nations can see in their own immediate vicinity the applied benefits of American aid, the success of the program will be that much better assured.

(3) It is highly important that the necessary advisory committees for ERP be appointed at once and that such committees be broadly representative of the whole American people. Just now, it appears that the advisors being named comprise none but members of the rich men's club, and yet the major scene of the struggle in Europe is taking place at the level of the working people. Businessmen, brokers, and members of the Union League Club cannot win the full confidence of working people. If maximum results are to be obtained, the appointments to the Advisory Committee must comprise persons fully informed on workers' problems in whom the workers of European countries will have complete confidence.

The CHAIRMAN. Mr. Carey, what has that to do with the bill before us?

Mr. CAREY. It has a great deal to do with it, sir, in view of the fact that a portion of that program is to eliminate the barriers to exchange of goods and services between the countries. It is important that the people of European countries have confidence in the American

people and their efforts to rehabilitate the war-torn countries of Europe.

The confidence of America in the eyes of the people of the rest of the world is terribly important, and the enactment of the joint resolution to extend the Reciprocal Trade Agreements program for 3 years unchained would be important in instilling confidence in the people of other countries of the world.

The CHAIRMAN. What has this committee to do with the ERP?

Mr. CAREY. I am pointing out the matters that we consider important at the present time. The ERP has more to it than just the appropriation of funds.

The CHAIRMAN. I am interested in your general views, but we have no jurisdiction over ERP. ERP isn't in the bill before us.

Mr. CAREY. Part of the bill before us is related to ERP. It is an important part of the whole program.

(4) What—

The CHAIRMAN. What do you want us to do about ERP? What do you want this committee to do about ERP?

Mr. CAREY. I would like this committee, particularly, to recognize that the Reciprocal Agreement program is an important part of ERP.

The CHAIRMAN. Suppose we recognize that? What have we to do with the organization of ERP?

Mr. CAREY. One thing, upon recognizing that fact, would be to extend the Reciprocal Trade Agreements program for a period of at least 3 years without change.

The CHAIRMAN. Suppose we did; what effect would it have on ERP, so far as the matters he mentioned are concerned?

Mr. CAREY. It would have an important effect.

The CHAIRMAN. What effect would it have on the Union League Club members and the advisory committee? Suppose we did just as you want us to do in the matter before this committee; what would that have to do with the members of the rich men's club and the advisory council to ERP?

Mr. CAREY. If you did just what I asked, sir?

The CHAIRMAN. If we did what you are asking us to do in the matter before this committee.

Mr. CAREY. That would help.

The CHAIRMAN. What would it have to do with it?

Mr. CAREY. May I answer, sir?

The CHAIRMAN. Yes.

Mr. CAREY. It would help a great deal in this important struggle that is going on to instill confidence in the people of Europe in their own future.

The CHAIRMAN. Assuming they are members of the rich men's club, the advisory council of ERP, would they at once be kicked out if we did exactly what you want us to do, so far as this matter is concerned?

Mr. CAREY. We are not suggesting that they be kicked out, sir. There is nothing contained in my statement to that effect. It simply says that the administration of ERP at the advisory level should not be limited to one section of the American society.

The CHAIRMAN. All right, then, if we did what you want us to do about the bill before us, would your advice or views on that other matter necessarily prevail?

Mr. CAREY. It would help.

The CHAIRMAN. In what way? How?

Mr. CAREY. May I answer, sir?

The CHAIRMAN. Certainly.

Mr. CAREY. Fine; thank you.

It would help a great deal to instill confidence in the European people. If it were the policies of the United States—

The CHAIRMAN. Do the European people determine the policy of the advisory council of ERP?

Mr. CAREY. No, sir. You are not removing yourselves from the position of authority in having a guiding influence on ERP, nor is this committee.

The CHAIRMAN. This committee has no guiding influence on ERP.

Mr. CAREY. The committee is set up under a law enacted by Congress to establish an advisory committee. That advisory committee has not been established as yet. I am suggesting that perhaps attention should be given to that fact.

The CHAIRMAN. But this committee has nothing to do with that. Why do you not direct your proposition, which may be very meritorious, to the committee that has something to do with it?

Mr. CAREY. We do, sir.

The CHAIRMAN. Tell me about that, please.

Mr. CAREY. We are directing attention of this committee to two matters that are closely related. We cannot separate one part of the American foreign economic policy from another part of it. We think it is important to consider it as a whole. We see a relationship between the continuation of Reciprocal Trade Agreements in the present form and the effort to re-establish the economies of European countries.

The CHAIRMAN. Now, will you please tell us what the action that we will take here will have to do as to the membership of the advisory committee to which you are referring?

Mr. CAREY. May I continue, and then we can discuss that?

The CHAIRMAN. Yes; go ahead.

Mr. CAREY. Four: I know at first hand that the people of Europe are watching our domestic developments very closely. Our domestic actions must not be susceptible to misinterpretation destructive of the principles set forth in the ERP. Here again, I refer specifically to the reciprocal trade agreements program.

Reerection of trade barriers would certainly undermine the confidence of the people of Europe in our program of proclaimed determination to help them reestablish themselves. Along with the need for continuation of the reciprocal trade agreements goes the necessity for our seeing to it that what we do in the matter of reasonable price control, rationing, and allocation of material does not inspire abandonment in Europe of similar programs highly necessary to prevent dissipation of American aid.

I think, perhaps, that point four will clarify the question that you raised earlier; that the people of Europe are very sensitive to the actions of the American Congress and the American people in this present period.

The CHAIRMAN. Thank you very much, Mr. Carey.

Mr. CAREY. You are welcome.

(The statement filed by Mr. Carey follows:)



## STATEMENT OF JAMES B. CAREY, SECRETARY-TREASURER OF THE CONGRESS OF INDUSTRIAL ORGANIZATIONS

The House of Representatives, in passing H. R. 6556 on May 26, 1948, is playing political football with the vital issues which affect international trade, good will, and international peace and well-being. H. R. 6556 extends the authority to negotiate reciprocal trade agreements for only 1 year and gives Congress, among other things, the authority to veto within 60 days any negotiated agreement. Congressional veto of trade agreements involves a return to the log rolling and tariff bickerings of the old days. This would be disastrous. During our entire history only three tariff treaties have ever been approved by Congress. Special interests and special-privileged groups have always descended upon Congress to plead their personal and individual cases. The result has been that tariff treaties have met with defeat. The important consideration is not to protect the special-privileged and special-interests groups, but to develop a reciprocal trade program which protects the welfare of all the groups which constitute our American life.

The present Reciprocal Trade Agreements Act, through its provision for full and open hearings and discussion of all matters affected by each agreement, permits sufficient safeguards for any particular group which has specific problems. It is therefore wise and essential for us to continue the authority contained in the original Reciprocal Trade Agreements Act which gives the authority to the President, through the use of his Interdepartmental Committee on Reciprocity Information to negotiate reciprocal trade agreements. The transfer of the functions of these committees to the Tariff Commission as proposed in H. R. 6556 is unwarranted and unwise. The authority to permit Congress to veto reciprocal trade agreements is also unwise and unwarranted.

The extension of the authority to negotiate reciprocal trade agreements for only 1 year as proposed in H. R. 6556 is a polite way, in a political year, to curtail the effectiveness of the original Trade Agreements Act and to eventually wipe out complete authority to negotiate such agreements. I discussed this point more fully in the following statement which I submitted to the executive session of the House Ways and Means Subcommittee on May 6, 1948.

American labor is fully aware of its international responsibility and the international responsibility of our nation as a whole. We joined hands with the majority of Americans in urging support for the European Recovery Plan. We clearly recognized the vital part the United States has to play in feeding, clothing and rehabilitating many parts of the world devastated by war. We clearly recognized that economic warfare can be as disastrous to international good will as military warfare. We cannot live long in a world of peace if trade barriers stand in the way of feeding, clothing, and reconstructing war devastated areas.

It is essential that we reduce the barriers to trade which exist between ourselves and foreign countries so that these countries may export to us, and by so doing, they acquire the necessary means of exchange which is so vital for rehabilitation and continuous international trade. Under the European Recovery Program we will supply machinery and equipment to rebuild many industries. However, unless we are prepared to buy the products which these rehabilitated industries will produce, we deny to those countries the vital monetary exchange necessary for them to become self-sufficient nations.

This whole concept of reducing barriers to international trade contained in the Economic Cooperation Act is vital to the promotion of international good will and international peace.

We must not pay lip service by just making commitments. We must go forward and carry through to the last letter the implications of our basic commitments.

The Economic Cooperation Act of 1948 specifically provides, among other things, that the United States and the participating countries conclude agreements which provide, among other things, for cooperation "to reduce barriers to trade among themselves and with other countries." At the present time seven of the European recovery countries, including Western Germany, do not have reciprocal trade agreements with the United States. Trade barriers with these seven countries as well as with the other ERP countries must be reduced if we are to carry out the spirit and concept as well as the statutory requirement of the Economic Cooperation Act.

The only authority now on the statute books of this country to carry out the commitments of ECA "to reduce barriers to trade \* \* \*" is the Reciprocal

Trade Agreements Act of 1934. If this act is not extended, there will be no existing authority to carry out this firm commitment of the ECA in 1948.

It would be inconsistent, on the one hand, to have passed the Economic Cooperation Act and, on the other hand, to have refused to extend the authority to negotiate reciprocal trade agreements.

The world has come to recognize the United States and the concept of reciprocal trade agreements as being synonymous. The world policy of the United States is to reduce barriers to foreign trade, promote an interchange of goods and develop good will and international peace. The world recognizes the United States for its major contribution in this field of international trade which is so closely intertwined with international well-being and international peace. To wipe out the authority to negotiate reciprocal trade agreements would undermine American prestige, would destroy the reputation that America has striven so hard to establish in the past 14 years and would create trade barriers which would be stumbling blocks to successful international relations. Those who wish to destroy the authority to negotiate reciprocal trade agreements, wish to promote international conflict. I can see no other conclusion.

There are certain Congressmen and Senators who want to wipe out all vestiges of reciprocal trade agreements. There are others in both the House and Senate who argue "Let's not wipe out reciprocal trade agreements but let's extend the authority for only 1 year." Suffice it to say there is little difference between the two approaches. Both are designed to wipe out the authority to negotiate reciprocal trade agreements. For example, it takes the better part of a year to prepare and negotiate a trade agreement. Extensive hearings are held, there are interdepartmental committee reviews, all groups in America are given the opportunity to present their point of view. All this takes time. It takes, as I have already said, the greater part of a year, if not longer, to prepare trade agreements. What confidence would those countries negotiating agreements have in America if, by the time they are ready to consummate the reciprocal trade agreement, the United States authority no longer exists to negotiate such an agreement.

The authority to negotiate reciprocal trade agreements must be extended for at least a 3-year period, as requested by the President and set forth in the House Joint Resolution No. 335, introduced by the Hon. Robert L. Doughton (Dem. N. C.).

Labor has a great deal at stake. Certain groups point out that extension of the Reciprocal Trade Agreements Act means "lower tariffs which will flood our markets with cheap goods, create unfair competition with American products, reduce our American standard of living and result in unemployment." The principal industries affected by imports are textile, wood, paper and pulp, fishing, mining and glass manufacturing. Only a relatively small proportion of American workers are in these industries, and of these, only a limited number are directly affected by imports.

There are now some 58 million persons gainfully employed in America. The number of American workers affected by reduced tariff is very limited, whereas all workers as consumers are injured by high tariffs. It must be remembered that wages of American workers in industries which are typically high protected industries are lower than the wages in the industries with little or no tariff protection. For example, in 1947 the average weekly earnings of workers in protected industries, such as boots and shoes was \$41.80; in silks and rayons, \$47.55; whereas, the wages prevailing in low-protected export industries were much higher. The average weekly wage in the machine tool industry was \$59.44; agriculture machinery, \$57.80; aircraft engines, \$59.30. It is perfectly clear that workers in those industries having high protective tariff arrangements have not fared nearly as well as workers in lesser tariff-protected industries.

There are those who argue that competition from abroad and low paid sweatshop industries and coolie labor will reduce the living standards of American workers, create unemployment, etc. It must be remembered in this regard that what really determines the price of the product is not the wage scale of the industry, as wages are a small percentage of the total cost of production, but the cost per unit of output. American workers are the highest paid wage earners in the world. Workers in American industry and agriculture today know that by reason of our highly efficient technological methods, worker productivity in terms of output and unit costs far outstrip even our nearest competitors. Over-all output per worker now stands at over twice that of the world

average and is several times greater in a number of highly mechanized basic American industries.

According to "A Survey of the Economic Situation and Prospects of Europe" by the Research and Planning Division of the Economic Commission for Europe: "\* \* \* Productivity per man in United States' manufacturing industry increased 27 percent between 1938 and the first half of 1947 \* \* \* while the productivity per man in European industry was definitely below prewar levels in 1947."

The United States need not be concerned about competition from coolie labor and low-wage industries abroad. This is just a bugaboo placed in the way by those who are attempting to prevent the furtherance of reciprocal trade agreements. We, in America, are able to cope with foreign competition because of the high degree of mechanization, efficiency, and productivity of our industries.

It is essential for many of our industries that the United States import many products. Many industries would be unable to operate and thus many American workmen would be out of jobs if the United States did not import many vital materials. As a matter of fact, the continuous operation of our economy is contingent upon imported commodities.

The iron and steel industries, the very foundation of our mass production, could not function without vanadium, nickel, manganese, chromite, and tungsten. Mica and copper are essential for our great electrical industry. These and many other minerals must be imported from abroad. It is necessary to import at least 300 various types of materials from 55 different countries in order to produce automobiles in the United States. In order to produce telephones, 18 out of 37 important materials must be imported.

The tungsten in our electric lights must be brought in from China. Medicinal ingredients come from all over the world. Rubber comes from the East Indies and Malaya, tin from Bolivia and the Far East. Leather, copper, zinc, and lead are basic raw materials which we must import in order to make the things which are used daily by our industries, communication systems, and our farmers. If we stop the importation of these materials, or, if by not extending the Reciprocal Trade Agreements Act, trade barriers are placed in the way of importing these materials, our entire economy would suffer severely. The first individuals so affected would be the working men in the United States industries.

The CIO is fully aware of the tremendous importance of imports on production and employment in our basic industries.

On the other hand foreign trade—our exports—promotes domestic employment. A recent study by the United States Department of Labor's Bureau of Labor Statistics showed that almost 2½ million workers in nonagricultural employment are directly or indirectly dependent upon United States exports. This constitutes 5½ percent of the gainfully employed workers in nonagricultural establishments. The extent of employment in some of our major industries which is directly attributable to exports, is even higher. For example, in iron and steel, electrical and other machinery, motor vehicles, nonferrous metals, coal and manufactured solid fuels, chemicals and rubber, between 11 and 18½ percent of the workers are directly or indirectly dependent upon United States exports for their jobs.

Labor clearly recognizes the need for promoting foreign trade both from the standpoint of exports and imports. We strongly urge that the barriers to international trade be reduced. This can be soundly and safely done only through the Reciprocal Trade Agreements Act with its many provisions for safeguarding the interests of all groups concerned. We believe in the reciprocal trade agreement concept because it gives us, as well as other groups, the opportunity to point out our views before the agreements are consummated. There is also an escape clause in all reciprocal trade agreements which provides that established quota can be reduced in case of development of unforeseen circumstances which make further imports detrimental to our welfare.

International trade is not an end in itself. It is a means to an end. Steady employment at remunerative work yielding high living standards is the primary goal at which economic policy must aim. One of the means of attaining our goal of full employment at a fair wage and full production is through international trade encouraged by reciprocal trade agreements.

The philosophy of the old Smoot-Hawley Tariff Act passed in 1930, at the beginning of the greatest depression we have ever had, was to protect American prod-

ucts by eliminating foreign competition. This was done by placing high tariffs on imports to keep them out of the country. This philosophy presupposes foreign competition adversely affects American production and employment and that we increase production and employment by restricting foreign markets. This is fallacious.

A sound economic foreign policy must seek to encourage high levels of production and employment. Maintaining foreign markets for our goods and importing vital materials necessary for our industrial production will play an essential part in keeping our industrial potential operating at full employment and full production levels.

The Reciprocal Trade Agreements Act is an important cog in our complex domestic economy. But the importance of the act does not stop there. Reciprocal trade agreements play an equally important part in enabling us to carry out our tremendous world responsibilities and commitments under the Economic Cooperation Act of 1948 "to reduce trade barriers. \* \* \*

We, therefore, urge once again that this committee favorably report on the House Joint Resolution No. 335, which extends authority to negotiate reciprocal trade agreements for an additional 3 years.

The CHAIRMAN. William S. Swingle? Will you identify yourself to the reporter, please?

**STATEMENT OF WILLIAM S. SWINGLE, EXECUTIVE VICE PRESIDENT, NATIONAL FOREIGN TRADE COUNCIL, INC., NEW YORK, N. Y.**

Mr. SWINGLE. My name is William S. Swingle. I am appearing in behalf of the National Foreign Trade Council, Inc., of which I am executive vice president.

The Council comprises in its membership manufacturers, merchants, exporters and importers, rail, sea and air transportation interests, bankers, insurance underwriters, and others concerned in the promotion and expansion of the Nation's commerce.

The Council since its inception in 1914, has supported the principle of an expanded world trade through reciprocal reductions of tariffs and other barriers to trade. We vigorously championed the Trade Agreements Act of 1934 and have strongly supported each successive renewal of the act. The Council recently filed a brief with the subcommittee on Tariffs and Reciprocal Trade of the House Committee on Ways and Means recommending a renewal of the trade agreements act for a period of 3 years substantially in its present form, and a representative of the Council appeared and presented a statement before the subcommittee.

The council believes that comprehensive investigations should be made prior to the negotiation of trade agreements with other countries. But it is of the opinion that such investigations could better be made by an interdepartmental body such as the Committee for Reciprocity Information than by an agency which would be concerned only with the effects of reductions in United States tariff rates on American industries. From the domestic standpoint alone, our economic well-being requires that our tariff policy be governed not only by the need for adequate protection of our own industries and our national security but also by the need to preserve and expand foreign outlets for the surplus production of American industry and agriculture.

While the latter need is not of pressing importance at the present time, it can become vitally important to this country after countries devastated by war have restored and revitalized their productive facili-

ties and are again in a position to offer severe competition in world markets to the products of American farms and factories. An interdepartmental committee such as the Committee for Reciprocity Information, which considers both the domestic and foreign needs of our economy, can in our opinion more effectively safeguard the broad national and international economic interests of the United States than can a governmental agency which is concerned with the protection of domestic industries alone.

The CHAIRMAN. The President would not be without the ability to advise himself so far as the export angles are concerned.

Mr. SWINGLE. He could, but the bill as we interpret it places the action of the Tariff Commission largely for the protection of domestic industry and indicates no consideration of the over-all foreign policy.

The CHAIRMAN. The President can do that under his Executive authority.

Mr. SWINGLE. He could do that; yes, sir.

The CHAIRMAN. Just as he set up the Interdepartmental Committee out of his executive authority.

Mr. SWINGLE. But the Tariff Commission would primarily be concerned with the effect on domestic industry, I think.

The CHAIRMAN. Suppose it were, it does not follow from that that the exporters interest would be disregarded. The President can establish by Executive order, just as he has established the Interdepartmental Committee by Executive order, whatever mechanics he wishes to have to advise him on the export angle.

Mr. SWINGLE. The indication from the bill would seem to be that the primary determination would be the limits to be set or the peril points as referred to by a previous witness.

The CHAIRMAN. It could not be otherwise if we are talking about imports.

Mr. SWINGLE. That is right.

We also think that officials of the Government who actually conduct the negotiations leading up to trade agreements with other countries should have the opportunity to question representatives of domestic industries which fear that their industries may be harmed by reductions in United States tariff rates. We believe that by this means our negotiators would be in a much better position to make tariff adjustments in trade agreement negotiations in such a way as not seriously to harm any American industry.

We believe, moreover, that added safeguards to American industries would be provided by permitting representatives of the Tariff Commission not only to participate in the preparation of basic data relating to American industries that may be affected by trade agreement negotiations but to take part in a consultative capacity in such negotiations. In the give and take of actual negotiations it is often a matter of great importance, if not of vital necessity, that the American negotiators have the benefit of advice of officials who have the most intimate knowledge of the underlying conditions and competitive situation of domestic industries.

Representatives of the Tariff Commission are in the best position to supply information and advice of this character, and negotiators of this country should not be denied access to their informed judgment during the actual process of negotiating trade agreements.

The CHAIRMAN. There was some discussion yesterday along this line. It was pointed out that at Geneva negotiators for other countries, or for some of them, had at their elbow the counselors from the industries affected, whereas we followed a scrupulous policy of keeping counselors from industries affected away from our negotiators in Geneva.

What do you think about that?

Mr. SWINGLE. I believe advantage would have been had if industry advisers had been present at those negotiations. Of course, they endeavored to cover that point by having hearings prior to the final negotiations in Geneva.

The CHAIRMAN. There was a 7-month lag in between the hearings and the negotiations at Geneva.

Mr. SWINGLE. That is true.

The CHAIRMAN. The fluctuations that occur in world conditions and the conditions in the countries with which we were negotiating, 7 months might render the information that was gotten seven months before completely inadequate.

Mr. SWINGLE. That is possible. I think in general it is always advisable to have industry advisers on any of these negotiations to give the current position as to industry in any case.

The CHAIRMAN. Yes, sir.

If notwithstanding the foregoing considerations your committee feels that the functions of the Tariff Commission in trade agreement negotiations should be confined to conducting investigations relating to domestic industries which may be embraced in such negotiations and to making recommendations as to the extent of reductions in the United States tariff rates that may be made in trade agreements, it is respectfully urged that such recommendations by the Tariff Commission be only advisory and not binding with respect to tariff adjustments made in such agreements by negotiators of this country.

We believe that the Tariff Commission is not equipped and by its very nature as a bipartisan body, is ill adapted to perform the function of tariff making which would be imposed on it under the provisions of H. R. 6556. Nor do we think it desirable or advisable to subject the Commission to the terrific pressures which would result from the activities of protected domestic interests.

The CHAIRMAN. There will be no pressure except the presentation of cases.

Mr. SWINGLE. That would depend on the hearings and on the amount of interest which was evidenced in their deliberations.

The CHAIRMAN. You could argue just as well that that same pressure exists in the panel hearings which are already afforded to industry.

Mr. SWINGLE. Possibly.

The CHAIRMAN. After all, there is nothing sinful, per se, in people who are affected by what is being done by government yelling their heads off about it.

Mr. SWINGLE. No. I believe in that. That is why we are appearing before committees from time to time. I think it is the American way to do things.

The CHAIRMAN. That is why you are here.

Mr. SWINGLE. Quite right.

As stated in the final declaration of the national foreign trade convention held in St. Louis last October:

The Tariff Commission finds its usefulness as a bipartisan, fact-finding body, and from the excellence of its objective statistical and economic analyses. Its assumption of policy making or executive functions could serve no useful purpose.

Moreover, in our opinion, the enactment of provisions prohibiting the cutting of United States tariff rates by a greater amount than those recommended by the Tariff Commission or, in the event greater reductions are made in trade agreements than those recommended by the Commission, requiring the submission of such agreements for Congressional approval, it is not necessary in order to safeguard domestic industries from ruinous competition from abroad. The general agreement on tariffs and trade signed by the United States and 22 other countries at Geneva last October contained, and the President has announced that all future trade agreements entered into by this country will contain, an escape clause under which a tariff concession granted by the United States in a trade agreement can be modified or withdrawn if imports of the product on which the concession is granted increase in such amounts as to injure or threaten injury to a domestic industry.

The CHAIRMAN. Have you heard our discussion here on that subject?

Mr. SWINGLE. Yes, sir.

Such an escape clause provides a much more realistic device for protecting American industries from harmful competition from foreign concerns in the American market than would be afforded by the procedure set forth in H. R. 6556 prohibiting tariff cuts in trade agreements negotiations beyond those recommended by the Tariff Commission. All such investigations and recommendations by the Tariff Commission prior to negotiation of a trade agreement must of necessity be rather speculative in character, since so many variable and unknown factors would be involved in such investigations.

The CHAIRMAN. You do not carry that to the point of saying there cannot be a standard?

Mr. SWINGLE. Oh, no. I think there could be an over-all standard, but I do think as Commissioner Ryder pointed out this morning, investigations made at this time, with all the variable factors projected two and three years ahead, is rather difficult.

The CHAIRMAN. You have to do the best you can.

Mr. SWINGLE. But still that standard—

The CHAIRMAN. And if you muff it after having made the best effort that you can, you do the best you can under the escape clause.

Mr. SWINGLE. That is correct, you would adjust under the escape clause.

The CHAIRMAN. Without covering the ground all over again, you appreciate the difficulties of the escape clause.

Mr. SWINGLE. As I am pointing out here we think the escape clause procedure is much more factual and up-to-the-minute than a prior determination of limits within which negotiations must be made and within which tariffs would be set, because Congress already has delegated its authority or whatever the correct legislative phraseology is, within the limits of 50 percent, and you gentlemen in Congress have determined that.

The CHAIRMAN. The testimony surely has developed today and yesterday that the escape clause gives no protection as hoped for because of the extraneous matters that much be considered in connection with it.

Mr. SWINGLE. It may not, but I think in fact, as Mr. Rosenthal said, it should be used on a very limited basis, and in the second place, I believe that if it were proved that an industry were seriously affected through an escape clause procedure, there is every reason to believe an adjustment would be made because it would be so outstanding in the American economy.

The CHAIRMAN. Mr. Swingle, if these agreements entered into in the off-the-cuff, imaginary, speculative fashion which has been described here, on the theory that you cannot tell now, you cannot have a limited recourse to the escape clause. You necessarily, by virtue of that very fact, will have to have numerous recourses to the escape clause.

Mr. SWINGLE. Depending on how an industry may be affected.

The CHAIRMAN. The amount of recourse that you have to the escape clause is directly related to the care with which you make the agreement in the first instance.

Mr. SWINGLE. Oh, I agree; certainly.

The CHAIRMAN. If you are just taking a big guess in the first instance, you will have to have numerous recourses to the escape clause, and if you have made your agreements right in the first instance, your recourse will be limited and that is a very desirable objective.

Mr. SWINGLE. Quite true.

The CHAIRMAN. That comes back, then, to what you should do in the first instance.

Mr. SWINGLE. I would certainly hope the administration would not be a pig in a poke administration, that it would be carefully thought out ahead of time and anything that would be done in agreements would have an adequate background of investigation and so forth.

The CHAIRMAN. From all the talk that we have been hearing around here so far on how this comes down to judgment, how nobody is in position to say whether anybody is going to be injured, you might as well shoot craps for the result.

Mr. SWINGLE. Well, I would not want to gamble with that stake myself. I would shoot for a smaller amount, but not with that stake.

Investigations under the escape clause provision, however, would be based on actual facts confronting an American industry which claimed it was threatened by imports of a product on which a trade agreement concession had been granted by the United States. In the latter case, data would be available as to the extent of any increased imports of the product in question and the effect of such increased imports and other factors on prices and production of the domestic product.

The brief referred to above and statement made by a representative of the council at the recent closed hearing of the Subcommittee on Tariffs and Reciprocal Trade of the House Ways and Means Committee are submitted herewith in further amplification of the views set forth above.

The CHAIRMAN. I am just using you as a soundingboard, in this particular matter. There has been a lot of bunk about the closed hearings on the House side. The House took several thousand pages of testimony on this subject a year ago. There was really no necessity for



hearings at all. No one was deprived of the opportunity to make a case. As a matter of fact, they were heard in closed hearings. Had the House committee never studied this matter, had it never had hearings, there would have been some just cause for complaint, but considering the fact that the House went into the thing in extenso a year ago, I think there is a lot of bunk about the howling that is going on about the closed hearings in the House.

By the way, you have an open hearing on the Senate side, and the facts presented are no different from the facts presented in the House.

Mr. SWINGLE. Another thing, Senator, if I may say so, I feel that it would have been very much better if the House had held hearings on the bill which was actually to be acted upon and not brought in at a later date, and held them on the basis that your committee has done, of open hearings and allowing people to present their views. It would have been very much better for all concerned and for the democratic process.

I admit that the hearings were very ample before, but I think open house hearings on the actual legislation which was to be voted on by the committee would have been far more in the democratic process.

The CHAIRMAN. The democratic process has not lost even a microscopic part of its cuticle in this proceedings.

Mr. SWINGLE. I will submit this; you don't want me to read the rest of this.

The CHAIRMAN. It will be entered in full in the record at this point. (The document referred to follows:)

STATEMENT IN SUPPORT OF RENEWAL OF TRADE AGREEMENTS ACT BY THE NATIONAL FOREIGN TRADE COUNCIL, INC., NEW YORK, N. Y.

The National Foreign Trade Council, Inc., comprises in its membership manufacturers, merchants, exporters and importers, rail, sea and air transportation interests, bankers, insurance underwriters, and others concerned in the promotion and expansion of the Nation's foreign commerce.

The council, at its first annual convention in 1914, adopted a resolution calling upon the President and Secretary of State to undertake the negotiation of trade agreements which would assure to American producers advantages in foreign markets in return for the large volume of trade which other countries enjoyed in the American market. During the 34 years of its existence the council has continued to support the principle of expanding world markets through reciprocal reductions in tariff rates and other trade barriers. The council believes that reductions in trade barriers achieved under the Trade Agreements Act of 1934 and its subsequent amendments have been of great benefit to the economy of this country.

The circumstances that existed during the latter half of the 1930's, the period of operation of the so-called Hull trade agreements when international trade was not completely disrupted or severely dislocated by war or the aftermath of war, were such as to make impossible a thorough test of the advantages to this country of the reductions in trade barriers effected by those agreements. The depression in which many nations found themselves at the time the Trade Agreements Act was adopted caused many of these countries to impose import quotas, exchange controls or other restrictions which severely limited the trade-expanding effects of the reductions in tariff rates which were made under the trade agreements. The agreements did, however, place definite limitations upon the use of such trade-restricting measures and these, together with the reductions in tariff rates made under the agreements, produced a much greater volume of international trade than would have been possible without the agreements.

Another factor which prevented the trade agreements from exerting their full effect in bringing about an expansion of international trade was the rearmament campaign and program of economic aggression of Nazi Germany. The askmarks system and other discriminatory trade devices employed by Germany forced a

number of countries into Germany's economic orbit and thus made impossible the expansion in trade between such countries and the United States which would otherwise have resulted from the trade-liberating principles of the reciprocal trade program of this country.

But notwithstanding these obstacles, such statistical and other evidence as is available indicates that the trade agreements were a definite influence in increasing both the export and import trade of this country. United States foreign trade statistics show that exports from the United States to trade-agreement countries increased from 1934-35 to 1938-39 by 62.8 percent as compared with 31.7 percent for nonagreement countries, while imports during the same period from trade-agreement countries increased by 21.6 percent as against 12.5 percent for nonagreement countries. The increase both of exports to and imports from the trade-agreement countries was approximately double that for the nonagreement countries. Opponents of the reciprocal trade program have attempted to disprove the value of these comparisons by unjustifiably including or excluding particular countries from the comparisons; indeed the figures which they obtained by these methods have purported to show that trade between the United States and nonagreement countries increased under the trade agreements program to a greater extent than trade between this country and trade-agreement countries. Such a conclusion is utterly untenable and is tantamount to saying that water will flow more rapidly in a stream that is dammed up than in one from which such impediments have been removed.

In their attempt to prove that the trade agreements did not benefit trade of the United States with the trade-agreement countries more than with nonagreement countries, opponents of the program have stressed the fact that, under our most-favored-nation policy, nonagreement countries shared the benefits of reductions in United States tariff rates along with trade-agreement countries, ignoring entirely the fact that reductions in United States rates in trade agreement negotiations are made primarily on the products of which the other party to the negotiations is the principal supplier and that reductions in the rates on such products may be of only minor or no value whatever to nonagreement countries.

Any removal or lessening of barriers to trade is bound to have a beneficial effect on the foreign trade of this country and the United States should not only welcome the full application of the reductions in tariff rates and other barriers to trade effected in the trade agreements signed by this country with 22 other countries at Geneva last October, but it should enlarge the scope of its trade-liberating policy by renewing the Trade Agreements Act and negotiating trade agreements with friendly countries not now embraced within the trade agreements program who will cooperate in achieving the objective of an expanded and freer world trade. The present and prospective future economic situation of many foreign countries and of the United States makes it imperative that the reciprocal trade program of this country be vigorously extended without delay.

The dire need of many foreign countries for United States economic assistance is being met in considerable part by the foreign aid programs recently adopted by this country. But these foreign countries must depend primarily upon exports of their own goods and services to provide them with the necessary exchange with which to buy needed capital goods, raw materials and foodstuffs from abroad. Their ability to export the volume of goods and services necessary to enable them to meet their requirements from abroad will to a large extent depend upon whether tariff rates and other trade barriers can be reduced to the level which will permit the required volume of exports. The amount of economic assistance which the United States will have to furnish to countries participating in the aid programs of this country will in turn depend upon the extent to which such countries can meet their own requirements for foreign products by increasing their sales abroad. It is therefore vitally important to the United States that its reciprocal trade program be vigorously applied so as to help reduce the barriers to the expanding volume of exports which the economies of the aid-receiving countries so urgently require.

Such expansion in the exports of the aid-receiving countries is also necessary if these countries are to repay the United States for the loans and credits which it has extended to them in the past and contemplates extending to them under the aid programs. In order to make sure that it will be able to keep to a minimum the aid which it will have to provide in the form of grants and to obtain payment for that which is supplied in the form of loans and credits, the United States should reduce its own tariff rates to the minimum required for protection of

efficient American producers. The United States should by all means avoid repetition of the fiasco of the 1920's when it demanded repayment of the World War I debts of foreign nations to this country and at the same time raised American tariff rates to levels which made such repayment impossible.

The reduction in American tariff rates which the United States and the world economic situation requires can be made without serious danger to any American industry at the present time when there is an extraordinary demand, both domestically and internationally, for the products of American industry and agriculture. And should time bring a changed situation or should conditions suddenly develop which threaten injury to any American industry on whose product a tariff concession has been granted under the trade agreements concluded by the United States with the 22 nations at Geneva or those that may be negotiated under a renewed Trade Agreements Act, such concession may be modified or withdrawn entirely under escape clauses contained in these agreements.

As regards the immediate future, the trade agreements which the United States now has or may negotiate under renewed authority of the Trade Agreements Act, will be of chief advantage to the other countries participating in these agreements. Because of the need for reconstruction from the ravages of war and for economic development in many countries participating in the reciprocal trade program, there will be for a considerable period a potential market in these countries for all the products essential to their economic rehabilitation which this country can produce in excess of its own requirements.

But after the present transition period during which countries participating in these agreements and in the foreign aid programs of the United States are helped back to a condition of economic health, foreign demand for the excess production of the United States, particularly its capital goods, may be expected to decline. When that time arrives the United States will have need for every device which may be useful in enabling this country to hold and enlarge its foreign markets. The reciprocal trade agreements should then be very useful in helping the United States not only to retain as much as possible of its foreign markets for capital goods but to develop and expand outlets abroad for other American products, both of industry and agriculture.

The National Foreign Trade Council, therefor, strongly urges the renewal of the Trade Agreements Act substantially in its present form for a further period of 3 years.

Respectfully submitted.

EUGENE P. THOMAS,  
*President, National Foreign Trade Council, Inc.*

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STATEMENT OF PAST CHAIRMAN OF NATIONAL FOREIGN TRADE COUNCIL ON RENEWAL OF TRADE AGREEMENTS ACT

My name is John Abbink, and I am submitting this statement on behalf of the National Foreign Trade Council, of which I am past chairman. The National Foreign Trade Council has filed a brief with this subcommittee endorsing a renewal of the Reciprocal Trade Agreements Act.

Since 1914 the National Foreign Trade Council has supported a policy of reciprocal lowering of all barriers to trade, including tariffs. Its position has been endorsed since at repeated annual National Foreign Trade conventions, most recently in St. Louis last October, when 1,500 registered delegates were in attendance representing manufacturers, merchants, exporters and importers, rail, sea and air transportation interests, bankers, insurance underwriters and others concerned in the promotion and expansion of the Nation's foreign commerce.

It is regrettable that this subcommittee has decided to close its hearings, because I am convinced that widespread support for a renewal of the Reciprocal Trade Agreements Act would have been forthcoming at open hearings. Few congressional policies have been so heartily approved by adherents of all political parties in this country.

While I think it unnecessary to remind this group of the fact, I should like to emphasize that this is a critical time in world economic affairs. Attendance at the meetings in Geneva last year and in Habana during the past winter, held to establish an International Trade Organization, convinced me that other nations are waiting only for a signal from the United States to embark on na-

tionalistic programs which would make trade barriers of the thirties seem inconsequential.

Failure to renew the Reciprocal Trade Agreements Act, or hampering its effectiveness by amendment which, nullified administrative operation, would be taken as such a signal.

Moreover, failure to renew the Reciprocal Trade Agreements Act at this time, or a renewal with restrictive amendment, could only be construed abroad as a negation of the purposes sought under the Economic Cooperation Administration. Such action would almost certainly have the effect of making other countries less enthusiastic in giving whole-hearted support to the fundamental objectives of the Economic Cooperation Act.

Soon after the 1946 congressional elections, I pointed out in a public address that the majority party in the present Congress would have an unparalleled opportunity to study trade barriers, including tariffs, in a new approach which should be factual, rather than emotional; and that such a study would erase the stigma of isolationism and prejudice from its record.

I still hope such a study can be made and publicized and that meanwhile the Reciprocal Trade Agreements Act will be renewed for 3 years, without amendment.

The CHAIRMAN. Mr. Alger Hiss, please.

#### STATEMENT OF ALGER HISS, CHAIRMAN, EXECUTIVE COMMITTEE CITIZENS' COMMITTEE FOR RECIPROCAL WORLD TRADE

Mr. HISS. My name is Alger Hiss. I am chairman of the executive committee of the Citizens' Committee for Reciprocal World Trade and represent that committee before this committee.

The CHAIRMAN. Do you have a hand in all these form letters and telegrams that you are sending out asking people to in turn send them in to Congress?

Mr. HISS. Senator, I was very interested to hear your reference to form letters because I was wondering who had sent out form letters. My committee has not sent out any form letters whatsoever.

The CHAIRMAN. I am very glad that that is correct. Before the hearing is over, I believe I will introduce a file. Everybody in the country is sending me form letters and form telegrams and suggestions as to what should be included. Are you in the latter category?

Mr. HISS. We have sent out to our own members—

The CHAIRMAN. You have a right to do it, mind you. I am not challenging your right.

Mr. HISS. We have sent out to our own members and others information about the developments with respect to the renewal of the Trade Agreements Act.

The CHAIRMAN. That is a very laudable purpose.

Mr. HISS. And have frequently and on many occasions urged the citizens with whom we were in contact to send their own views to Members of Congress.

The CHAIRMAN. That, too, is laudable; but you have not suggested what they should send, you have not given them any idea what should be incorporated in the telegram or letter, have you?

Mr. HISS. We certainly have not sent out any form letters. That is a very ineffective manner.

The CHAIRMAN. Have you done what I just mentioned?

Mr. HISS. We have set forth our own views and opinions. We have set forth information and we have let them draw the conclusions from that, I would say, Senator.

The CHAIRMAN. Then you say that you have not suggested what should be in the letters or telegrams?

Mr. HISS. As far as specific details are concerned, Senator—

The CHAIRMAN. Oh, no.

Mr. HISS. Or as to those that agree with us—

The CHAIRMAN. Not the specific details. You have already said you did not do that. I am asking you whether you gave them an intimation, let us say, as to the general contents of the letters or wire.

Mr. HISS. We have certainly, Senator, urged those who agree with us that the act should be renewed without change for 3 years to say that.

The CHAIRMAN. Have you suggested the contents of the letters or the wire?

Mr. HISS. To the extent that I just stated, we certainly have. We have said those who agree with us that the act should be renewed for a further period of 3 years without change, should say so.

The CHAIRMAN. And you did not give them any guidance as to how they should say it?

Mr. HISS. Perhaps what I have just said is its guidance.

The CHAIRMAN. But did you give them any further guidance?

Mr. HISS. In what respect do you have in mind, sir?

The CHAIRMAN. In respect to what they should put in the wire or telegram or the letter.

Mr. HISS. Wouldn't it be guidance to say—

The CHAIRMAN. It would be entirely proper.

Mr. HISS. Wouldn't it be guidance, Senator?

The CHAIRMAN. Never mind asking me the questions. I am asking you the question. In addition to saying wire in your views, did you tell them or intimate or suggest what should be in the wires or letters?

Mr. HISS. Senator, I have already said, we said those who agree with us that the bill should be renewed for a further period of 3 years without amendment should so state. That seems to me very definitely to suggest to like-minded people what to say.

The CHAIRMAN. The answer is yes?

Mr. HISS. I would like to stand on the answer as I gave it, Senator. If your interpretation of that is a qualified yes.

The CHAIRMAN. Then I will assume your answer is no.

Mr. HISS. I would rather assume the answer is what I have given.

The CHAIRMAN. Then you have not answered and I will ask you again.

Mr. HISS. I will try again, Senator. I think—

The CHAIRMAN. Give it another try.

Mr. HISS. I think it is difficult to answer that particular question with a flat yes or no, as sometimes happens.

The CHAIRMAN. All right. Give us one that is in between or give us one of these two-handed opinions.

Mr. HISS. I am repeating, we have frequently urged those who share our view that the act should be renewed for a further 3-year period without modification so to state to members of Congress.

The CHAIRMAN. Yes, and nothing further?

Mr. HISS. According to my recollection, that is an adequate answer, sir.

The CHAIRMAN. All right, go ahead.

Mr. HISS. To identify the committee for the record, the former Secretary of State, Cordell Rull, is the honorary chairman of the committee.

The CHAIRMAN. I must examine my files and see where these form letters and things came from, because somebody is putting up a lot of dough to have perfectly asinine letters and telegrams suggested, and I would not want your organization to be squandering its money that way, you see.

Mr. HISS. Certainly asinine letters would be a great waste of money, Senator; I quite agree.

The CHAIRMAN. That reminds me we used to have a rather boisterous bar in the early days of Colorado, and up at Gunnison one time the court opened up its session and a bunch of lawyers that had been out all night came boiling into the courtroom and one of them was singing. The judge called him up and fined him for contempt. In doing so, he said, "I am not fining you because you were singing, but because you were singing off key."

Do you get the point?

Mr. HISS. I do, Senator. It is a good point.

The other officers are Gerard Swope, chairman; Charles P. Taft and Thomas J. Watson, vice chairmen; and W. Randolph Burgess, treasurer.

I would like in addition to my oral statement, permission to submit for the record a written statement from our chairman, Mr. Swope, who is unable to be present to testify orally. May I turn that over?

The CHAIRMAN. We may put that in the record. I wish Mr. Swope had been here. He rendered a great service to this committee as one-time member of an advisory counsel on social security. He was well known here and highly respected.

(The prepared statement of Mr. Swope follows:)

STATEMENT OF GERARD SWOPE, CHAIRMAN, CITIZENS' COMMITTEE FOR RECIPROCAL WORLD TRADE, NEW YORK, N. Y.

As the basis for presenting our reasons for urging that H. R. 6556 be rewritten to provide for a simple 3-year extension of the Reciprocal Trade Agreements Act in its present form, we first submit the following information as to the origin and nature of the Citizens' Committee for Reciprocal World Trade.

It is a voluntary, nonprofit organization of citizens which has grown from a handful in the middle of last March to a present membership of 275 men and women from 67 cities in 32 States and the District of Columbia, who have joined together for the sole purpose of mobilizing public support for extension of the Act in the form and for the period which have become established national policy during the past 14 years. Our officers are shown at the top of this letterhead which lists on the reverse side the membership developed during the first few weeks of the committee's formation. The full roster is attached to this brief.

Of the total membership, some 166 are prominently identified with the Nation's banking, business, and industrial interests; 11 are nationally known as labor leaders, 10 as farm leaders, 87 as leaders of veterans, church, educational, and public-affairs groups. Thus, our membership represents a truly national cross-section of the American public both geographically and functionally.

What we neither know nor care to know are the party affiliations of our individual members. The only political significance of our committee is that we have rallied together through a common conviction that the foreign economic policy of the United States is above party, sectional, and special interests; and we submit that this significance is impressive.

For that matter, the responsible leaders of both major parties and of the Socialist Party publicly support the reciprocal trade agreements principle.

The present difficulty arises, therefore, from profound differences in the methods with which various groups seek to implement that support.

Examination of H. R. 6556 brings out these basic points:

1. Limitation of extension of the implementing legislation to 1 year makes the program unworkable in the immediate present and uncertain as to its future. Even if other nations were disposed to negotiate on so tentative a basis, the time required to assemble essential information and then to develop such negotiations would preclude the conclusion of effective trade agreements within the life of the legislation. Furthermore, what American company would project a production and marketing program for export sales on such a brief and tenuous basis?

2. Singling out one agency—the United States Tariff Commission—and loading it with the duties and responsibilities specified in H. R. 6556 would have these inescapable results:

(a) The emphasis would be concentrated on protection of domestic production without setting up criteria as to what farm and factory components of domestic production—now established or to be established—merit protection at the expense of American taxpayers and consumers. This over-emphasis on protection would completely reverse and stultify the basic principle of RTA, which is the encouragement of tariff bargaining among the still free nations of the world in order to expand world trade and thus sustain production and employment.

(b) A fact-finding agency which has won the respect of the Nation for its objectivity in a highly specialized field would be distorted into a policy-making body dealing with problems entirely outside that field; for how else, under the conditions imposed by H. R. 6556, could questions of national defense be brought into the basic criteria of negotiating trade agreements with other nations?

(c) America's stake in export markets is completely ignored, for the forum is eliminated in which exporters have presented their case for adjustment with those of other elements of our economy in an over-all pattern of national interest. Basic legislation which thus penalizes our exporters would necessarily mean inadequate protection for our export trade. What such a policy would mean to farm values and factory pay rolls will be understood by those of us who lived through the dead-end economy following World War I.

(d) The greatly expanded role assigned the Tariff Commission by H. R. 6556 would necessitate an increase in personnel and costs estimated by the present chairman of that agency at from half to twice as much again as the budget now allowed it; yet no provision is made in the bill for meeting this expense. Whether deliberate or just careless, this failure in legislation purportedly to extend the Reciprocal Trade Agreements Act will strangle that program.

3. Quite aside from this and other provisions in H. R. 6556, the conspiracy of silence in which it was written and then driven through the House makes this measure suspect; and this suspicion is now spreading through the Nation. The situation is too well known to your Committee to require restating here, but we submit that the great body of membership in both House and Senate, has been badly handicapped by the closed hearings, restriction of debate and failure to make available even such testimony as was developed in those limited hearings. Such repudiation of the democratic process can only elicit repudiation of the proceedings and their end result: H. R. 6556.

We consider as unworkable and abortive this attempt to "improve" a policy and procedures developed during the past 14 years and productive, notably in the general agreement on tariff and trade, of the broadest international co-operation on trade relations in the history of the civilized world. These procedures are thoroughly democratic in providing public hearings at which interested parties can present not only their facts but even their fears; in providing for a screening of such testimony and adjustment of conflicting interests by an interdepartmental committee bringing to bear on each prospective trade agreement the considerations of national defense, agriculture, commerce, labor, and foreign affairs as well as the factual data of the Federal Tariff Commission, and in making assurance doubly sure by providing an "escape clause" under which specific relief is mandatory, after Tariff Commission study and recommendation, for even the threat of injury to a bona fide domestic interest.

We believe that much of the present controversy is due to confusion between the machinery for the trade-agreements program and the operation of that machinery. Thanks to the action of five previous Congresses, this machinery has been designed and developed in the best tradition of American democracy. If

there is dispute as to the operation of this machinery, this is a matter of staffing. We therefore urge the Committee on Finance so to amend H. R. 6556 that it will become an extension of the Reciprocal Trade Agreements Act in its present form for the customary period of 3 years. Such action will keep the program in full force and effect; it will put the rest of the world on notice that the United States is holding undeviatingly to its course toward world recovery and world peace, and it will keep the faith with the spirit as well as the purpose of ERP.

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COMMITTEE MEMBERSHIP OF THE CITIZENS' COMMITTEE FOR RECIPROCAL  
WORLD TRADE

(Attachment to brief of Gerard Swope)

(The following individuals are members of the committee. Their connections are given for purposes of identification.)

ALABAMA

Florence: Edward A. O'Neal, former president, American Farm Bureau Federation.

CALIFORNIA

Berkeley:

Dr. Murray R. Benedict, professor of agricultural economics, University of California.

Dr. Ronald Bridges, president, Pacific School of Religion.

Dr. John B. Condliffe, Teaching Institute of Economics, University of California.

Dr. Monroe E. Deutsch, former vice president, University of California.

Ralph V. Dewey, vice president, Marsman & Co.

Dr. Robert L. Gulick, Jr., Teaching Institute of Economics, University of California.

Dr. Clark Kerr, director, Institute of Industrial Relations, University of California.

Los Angeles:

Neil H. Jacoby, dean, College of Business Administration, University of California.

Robert B. Pettengill, Teaching Institute of Economics, University Park.

P. G. Winnett, president, Bullock's.

Oakland: Walter G. Porker, export manager, Marchant Calculating Machine Co.

San Francisco:

W. P. Fuller Brawner, president, San Francisco Chamber of Commerce.

Henry deWard Collier, chairman of the board, Standard Oil Co. of California.

Leland W. Cutler, president, Fidelity & Deposit Co. of Maryland.

H. C. Dunlap, vice president and manager, Dried Fruit Association of California.

Alvin C. Eichholz, manager, world trade department, San Francisco Chamber of Commerce.

A. W. Gatov, president, Pacific-American Steamship Association.

Dwight K. Grady, vice president, Rosenberg Bros. & Co. and chairman, world trade committee, San Francisco Chamber of Commerce.

P. A. Kinnoch, American Trust Co.

Roger D. Lapham, former mayor of San Francisco.

E. Russell Lutz, vice president, foreign administration, American President Lines, Ltd.

John F. Shelley, president, California Federation of Labor.

Paul C. Smith, editor, San Francisco Chronicle.

Russell G. Smith, executive vice president, Bank of America.

Dr. Eugene Staley, director, World Affairs Council of Northern California.

Brayton Wilbur, Wilbur-Ellis Co.

Santa Monica: Donald W. Douglas, president, Douglas Aircraft Co., Inc.

Stanford: Dr. Bernard F. Haley, executive head, department of economics, Stanford University.



COLORADO

Colorado Springs: Edmond C. Van Diest, director, General Service Corp.  
 Denver: Dr. Ben M. Cherrington, director, Social Science Foundation, University of Denver.  
 Dr. Alonzo B. May, director, Teaching Institute of Economics, University of Denver.  
 James G. Patton, president, Farmers Educational and Cooperative Union of America.

CONNECTICUT

Fairfield: James F. Brownlee.  
 Hartford: Ostram Enders, president, Hartford National Bank & Trust Co.  
 New Haven: Dr. Fred Rogers Fairchild, Knox professor of economics emeritus, Yale University.  
 Southport: James Truslow Adams.  
 Stamford: W. H. Wheeler, Jr., president, Pitney-Bowes, Inc.

FLORIDA

Jacksonville: Charles H. Murchison, Stockton, Ulmer & Murchison.

GEORGIA

Atlanta: John A. Sibley, chairman of the Board, Trust Co. of Georgia.  
 Sea Island: Alfred W. Jones, chairman of the Board, Sea Island Co.

ILLINOIS

Chicago: Sewell L. Avery, chairman of Board, Montgomery Ward & Co.  
 Edward E. Brown, chairman of the board, The First National Bank of Chicago.  
 Lyle Cooper, United Packinghouse Workers of America.  
 Walter T. Fisher, Bell, Boyd & Marshall.  
 Charles Y. Freeman, chairman, Commonwealth Edison Co.  
 Truman K. Gibson, Jr.  
 Fowler McCormick, chairman of the board, International Harvester Co.  
 Theodore W. Schultz, University of Chicago.  
 C. E. Stevens, International Harvester Export Co.  
 John P. Wilson, Wilson & McIlvaine.  
 Mrs. Louise Leonard Wright, director, Chicago Council on Foreign Relations.  
 Carl M. Wynne, Overseas Industries, Inc.

INDIANA

Indianapolis: Nicholas H. Noyes, vice president, Eli Lilly & Co.  
 Daniel J. Tobin, general president, International Brotherhood of Teamsters.

IOWA

Ackworth: Mrs. Raymond Sayre, president, The Associated Country Women of the World.  
 Burlington: James S. Schramm, J. S. Schramm Co.  
 Des Moines:  
 Kirk Fox, editor, Successful Farmer, Meredith Publishing Co.  
 Frederic M. Miller, chairman, section of international and comparative law, American Bar Association, Miller, Davis, Hisbe & Howland.  
 Donald R. Murphy, editor, Wallace's Farmer and Iowa Homestead.  
 Gerald S. Nollen, chairman of the board, Bankers Life Co.  
 R. R. Rollins, president, Des Moines Chamber of Commerce.  
 J. S. Russell, farm editor, Des Moines Register and Tribune.  
 Harry E. Terrell, director, Western Policy Committee.  
 Marcus: Oscar Heline, president, Farmers Grain Dealers Association of Iowa.

KANSAS

Manhattan: Dr. Milton Eisenhower, president, Kansas State College of Agriculture and Applied Science.

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### KENTUCKY

Louisville: Barry Bingham, president, Louisville Courier Journal.

### LOUISIANA

New Orleans:

Francis J. Dwyer, Vories Baking Co.  
Theodore Brent, president Delta Lines Mississippi Shipping Co., Inc.  
E. O. Jewell, Board of Commissioners of the Port of New Orleans.  
A. Q. Petersen, president, Wesson Oil & Snowdrift Co.  
Norman A. Renshaw, H. S. Renshaw, Inc.  
Michael M. Mora, director, World Trade Development, International House.

### MARYLAND

Bethesda: Hon. Cordell Hull, former Secretary of State.

### MASSACHUSETTS

Boston:

Charles Francis Adams, chairman of the board, State Street Trust Co.  
Thomas H. Eliot, Foley, Hoag & Eliot.  
Lincoln Filene, president, William Filene's Sons.  
William L. Gray, senior vice president, the First National Bank of Boston.  
Henry I. Harriman, vice chairman, New England Power Association.  
Henry P. Kendall, president, the Kendall Co.

Cambridge:

Dr. Karl T. Compton, president, Massachusetts Institute of Technology.  
Dr. Sumner H. Slichter, Lamont professor of economics, Harvard University.

Greenfield: Philip Rogers, president, Millers Falls Co.

Medford: Harry Hawkins, Fletcher School of Law and Diplomacy, Tufts College.

### MICHIGAN

Detroit:

Ernest Kanzler, chairman of the board, Universal C. I. T. Credit Corp.  
Walter P. Reuther, president, United Automobile Aircraft Agricultural Implement Workers of America (CIO).

Grand Rapids: Harry M. Taliaferro, president American Seating Co.

### MINNESOTA

Le Sueur: Edward B. Cosgrove, president, Minnesota Valley Canning Co.

Minneapolis:

Harry A. Bullis, chairman of the board, General Mills, Inc.  
Sander Genis, vice president, Amalgamated Clothing Workers, CIO.  
Walter M. Ringer, president, Foley Manufacturing Co.  
A. B. Sparboe, president, Flour Milling Division, Pillsbury Mills, Inc.

### MISSOURI

St. Louis: Ingram F. Boyd, Boyd-Richardson Co.

Dr. Arthur H. Compton, chancellor, Washington University.  
Col. Clifford Corneli, chairman of the Board, Corneli Seed Co., A. P. Greensfelder, Wilson L. Hemingway, chairman of the board, Mercantile-Commerce Bank & Trust Co.

J. L. Jelenko, general merchandise manager, Stix, Baer & Fuller.  
Robert L. Lund.

Tom K. Smith, president, Boatmen's National Bank of St. Louis.  
Ernest Stix, president Rice-Stix Dry Goods.

### NEW HAMPSHIRE

Hanover: Dr. John S. Dickey, president Dartmouth College.

New London: J. Duane Squires Colby Junior College.

Peterborough: Robert Perkins Bass, former governor.

NEW JERSEY

Camden : W. H. Lukens, vice president, R. M. Hollingshead Corp.  
 Newark :

Leonard Shiman, president, Shiman Manufacturing Co.

C. R. Bergherm, American Platinum Works.

Paterson : Mrs. Frederic Beggs, president, Empire Piece Dyeing & Finishing Co.

Princeton : Dr. Frank Aydelotte, former president of Swarthmore, Olden Manor.

New Brunswick : Dr. Robert C. Clothier, president Rutgers University.

NEW YORK

Brooklyn : Dr. Harry D. Gideonse, president, Brooklyn College.

Corning : Amory Houghton, chairman of the board, Corning Glass Works.

Ithaca : Dr. William Irving Myers.

New York :

John Abbink, president Business Publishers International Corp.

Carl E. Adams, chairman of the board, Air Reduction Co., Inc.

Winthrop W. Aldrich, chairman of the board, Chase National Bank.

Frank Altschul, president General American Investors Co.

Thomas W. Ashwell, publisher, Export Trade and Shipper.

Henry A. Atkinson, general secretary, Church Peace Union.

Clarence Avildsen, chairman, Republic Drill & Tool Co. D. H. Bellamore.  
 general export manager.

Willis H. Booth, Republic Steel Corp., Guaranty Trust Co.

Henry P. Bristol, chairman of the board, Bristol Laboratories, Inc.

Thomas D'Arcy Brophy, president, American Heritage Foundation.

B. C. Budd, general manager, export division, Packard Motor Car Co.

W. Randolph Burgess, chairman, executive committee, National City Bank.

Curtis Calder, chairman of the board, Electric Bond & Share Co.

James S. Carson, vice president, American & Foreign Power Co., Inc.

Percy Chubb, Chubb & Son.

Evans Clark, executive director, The Twentieth Century Fund.

Dr. Harold W. Davey, director, Institute of Economic Affairs, New York University.

Colonel Edward Deeds, chairman of the board, National Cash Register Co.

W. J. Dixon, The Texas Co.

Alvin E. Dodd, president, American Management Association, Inc.

Allen W. Dulles, Sullivan & Cromwell.

Gano Dunn, president, The J. G. White Engineering Corp.

Ferdinand Eberstadt, president, F. Eberstadt & Co., Inc.

Dr. Clark M. Eichelberger, president, American Association for the United Nations, Inc.

James A. Farley, chairman of the board, The Coca-Cola Export Corp.

James A. Farrell, Jr., president, American South African Line, Inc.

J. D. Fletcher, vice president, Caterpillar Tractor Company, Inc.

Clarence Francis, chairman of the board, General Foods Corp.

John M. Franklin, president, United States Lines Co.

Berent Friele, International Basic Economy Corp.

Ray Gibbons, director, The Council for Social Action of the Congregational Christian Churches of the United States of America.

Arthur J. Goldsmith, Committee on Public Affairs.

Lester B. Granger, executive secretary, National Urban League.

Miss Helen Hall, Henry Street Settlement.

Rolland J. Hamilton, vice president, American Radiator & Standard Sanitary Corp.

John W. Hanes, chairman, executive committee, United States Lines.

W. H. Harrison, vice president, American Telephone & Telegraph Co.

Col. Joseph M. Hartfield, chairman, Committee on Commercial Policy, United States Associates, International Chamber of Commerce, Inc.

White & Case.

Miss Mabel Head, department of world relations, The United Council of Church Women.

Henry H. Heimann, executive manager, National Association of Credit Men.

## New York—Continued

- William Rogers Herod, president, International General Elec. Co., Inc.  
 Charles D. Hilles, Jr., treasurer, International Telephone & Telegraph Corp.  
 Alger Hiss, president, Carnegie Endowment for International Peace.  
 Herbert S. Houston, Inter-Racial Press.  
 William P. Hunt, William Hunt & Co.  
 Hallett Johnson, former Ambassador to Costa Rica.  
 Robert H. Johnston, president and publisher, American Exporter.  
 Cornelius Kelley, chairman of the board, Anaconda Copper Mining Co.  
 Fred I. Kent, Bankers Trust Co.  
 W. W. Lancaster, chairman, Foreign Policy Association.  
 John C. Leslie, vice president, Pan American World Airways System.  
 Robert F. Loree, chairman, National Foreign Trade Council.  
 Mrs. Burnett Mahon, former director, Woodrow Wilson Foundation.  
 Thomas H. McInnerney, chairman of board, National Dairy Products Corp.  
 Clark H. Minor, former president, International General Electric Co., Inc.  
 W. J. Murray, Jr., chairman of the board, McKesson & Robbins, Inc.  
 Philo W. Parker, chairman of the board, Standard Vacuum Oil Co.  
 Robert H. Patchin, vice president, W. R. Grace & Co.  
 Richard C. Patterson, Jr., former Ambassador to Yugoslavia.  
 Hon. Robert P. Patterson, former Secretary of War.  
 Clifford Patton, executive secretary, National Association of Consumers.  
 Curt G. Pfeiffer.  
 Warren L. Pierson, chairman of the board, Trans World Airline, Inc.  
 Jacob S. Potofsky, Committee on Latin-American Affairs Congress of Industrial Organizations.  
 Nina B. Price.  
 George E. Quisenberry, vice president, McGraw Hill International Corp.  
 Philip D. Reed, chairman of the board, General Electric Co.  
 C. A. Richards, manager, export division, Interchemical Corp.  
 Nelson A. Rockefeller.  
 Morris S. Rosenthal, president, National Council of American Importers.  
 Joseph C. Rovensky, The Morris Plan Corp. of America.  
 Beardsley Ruml, chairman of the board, R. H. Macy Co.  
 General David Sarnoff, president, Radio Corp. of America.  
 Harry Scherman, president, Book-Of-The-Month Club.  
 Miss Rose Schneiderman, president, National Women's Trade Union League of America.  
 Mrs. Nathan Seidman, president, The Interracial Press.  
 Harold Sheets, chairman of the board, Soconoy-Vacuum Oil Co.  
 Robert Emmet Sherwood, playwright.  
 Dr. James T. Shotwell, director, Division of Economics and History, Carnegie Endowment for International Peace.  
 Col. Allan M. Pope, president, Commerce and Industry Association of New York.  
 John L. Simpson, Schroeder Trust Co.  
 Eugene Sitterley, publisher, World's Business and Guia.  
 Spyros P. Skouras, president, Twentieth Century Fox Film Corp.  
 Maxwell S. Stewart, director, Public Affairs Committee, Inc.  
 William S. Swingle, executive vice president, National Foreign Trade Council, Inc.  
 General Swope, honorary president, General Electric Co.  
 Charles J. Symington, chairman of the board, The Symington-Gould Corp.  
 Myron C. Taylor, special Presidential representative to the Vatican.  
 Walter C. Teagle, former chairman of the board, Standard Oil Co. of New Jersey.  
 Eugene P. Thomas, president, National Foreign Trade Council, Inc.  
 Oswald Garrison Villard.  
 Wilbert Ward, vice president, the National City Bank of New York.  
 Richard F. Warner, Frazar & Co.  
 Thomas J. Watson, president, International Business Machines Corp.  
 Sidney J. Weinberg, Goldman, Sachs & Co.  
 Leo D. Welch, treasurer, Standard Oil Co. of New Jersey.  
 Mrs. Norman deR. Whitehouse, former national chairman, Women's Action Committee for Lasting Peace.

New York—Continued

Langbourne M. Williams, Jr., Freeport Sulphur Co.  
 Richard R. Wood, president, National Peace Conference.  
 Mrs. Ruth Mougey Worrell, executive secretary, The United Council of Church Women.  
 James Webb Young.  
 John A. Zellers, vice president, Remington Rand, Inc.

Rochester:

Marion B. Folsom, treasurer, Eastman Kodak Co.  
 Edward H. Watson, president, Junior Chamber of Commerce of Rochester, Inc.

NORTH CAROLINA

Chapel Hill:

Dr. Keener C. Frazer, director, Southern Council of International Relations.  
 Dr. Frank P. Graham, president, University of North Carolina.

Durham: George Watts Hill, president, Durham Bank & Trust Co.

Salisbury: Dr. Charles W. Armstrong, president, Kiwanis International.

OHIO

Akron:

John L. Collyer, president, B. F. Goodrich Co.  
 Paul W. Litchfield, chairman of the board, The Goodyear Tire & Rubber Co.

Cincinnati:

W. F. Gammage, manager, export department, Globe Wernicke Co.  
 Frederick V. Geier, president, The Cincinnati Milling Machine Co.  
 George M. Harrison, president, Brotherhood of Railway and Steamship Clerks.

Fred Lazarus, Jr., president, Federated Department Stores, Inc.  
 Charles P. Taft, president, Federal Council of Churches of Christ in America.

Cleveland:

William R. Burwell, chairman, The Brush Development Co.  
 Frederick H. Chapin, president, National Acme Co.  
 Shepherd L. Witman, director, Council on World Affairs.

Columbus: H. W. Culbreth, organization director, Ohio Farm Bureau Federation.

Dayton:

S. C. Allyn, president, National Cash Register Co.  
 George H. Mead, chairman of the board, The Mead Corp.

Toledo: James D. Mooney, president, Willys-Overland Motors, Inc.

OKLAHOMA

Tulsa: John Ben Shepherd, president, United States Junior Chamber of Commerce.

OREGON

Portland: Ted R. Gamble, Gamble Enterprises, Inc.

PENNSYLVANIA

Bryn Mawr: Dr. Mildred B. Northrop, Department of Economics, Bryn Mawr College.

Harrisburg: Daniel Hickok, president, W. O. Hickok Manufacturing Co.

Philadelphia:

William L. Batt, president, S. K. F. Industries, Inc.  
 John A. Stevenson, president, Penn Mutual Life Insurance Co.  
 Mrs. Annalee Stewart, president United States section, Women's International League for Peace and Freedom.

Samuel P. Wetherill, president, Wetherill Engineering Co.

Pittsburgh:

Hiland G. Batcheller, president, Allegheny-Ludlum Steel Corp.  
 H. J. Heinz II, president, H. J. Heinz Co.; president, United States Associates, International Chamber of Commerce, Inc.  
 Frederick Chadwick McKee, president, Winifred Railroad Co.

RHODE ISLAND

Providence: Dr. Henry M. Wriston, president, Brown University.

TENNESSEE

Bristol: J. T. Cecil, president, Interstate Hardware Co., Inc.

TEXAS

Dallas: H. Stanley Marcus, executive vice president, Neiman-Marcus Co.  
Houston:

Lamar Fleming, Anderson, Clayton & Co.  
A. D. Simpson, The National Bank of Commerce.

VERMONT

Proctor: Redfield Proctor, Vermont Marble Co.

VIRGINIA

Altavista: E. H. Lane, president, The Lane Co. Inc.

WASHINGTON

Seattle: William S. Hopkins, director, Institute of Labor Economics, University of Washington.

WASHINGTON, D. C.

Dean Acheson, Former Under Secretary of State.  
Mrs. Rachel S. Bell, International Legislation Information Service.  
Mrs. J. L. Blair Buck, president, General Federation of Women's Clubs.  
James B. Carey, secretary-treasurer, Congress of Industrial Organizations.  
E. J. Coil, director, National Planning Association.  
William S. Culbertson.  
John H. Fahey.  
Marion H. Hedges, International Brotherhood of Electrical Workers.  
Leon Henderson, national chairman, Americans for Democratic Action.  
Mrs. James W. Irwin, legislative representative, Young Women's Christian Association.  
Eric A. Johnston, president, Motion Picture Association of America, Inc.  
Admiral Emory S. Land, Air Transport Association of America.  
Chat Paterson, chairman, American Veterans Committee.  
Earl O. Shreve, president, Chamber of Commerce of the United States.  
Miss Anna Lord Strauss, president, League of Women Voters of the United States.  
Wayne Chatfield-Taylor, former Under Secretary of Commerce.  
E. Raymond Wilson, executive secretary, Friends Committee on National Legislation.

WISCONSIN

Janesville: Kenneth Parker, president, Parker Pen Co.

Madison:

Dr. Charles Bunn, University of Wisconsin Law School.  
Dr. Asher Hobson, professor of agricultural economics, University of Wisconsin.  
Arnold Zander, president, American Federation of State, County, and Municipal Employees.

South Milwaukee: W. W. Coleman, chairman, Bucyrus-Erie Co.

HABANA

Cuba:

John H. Duys, Jr., H. Duys & Co., Inc.  
Bradford W. Stone, president, the American Chamber of Commerce of Cuba.

Mr. Hiss. Our committee was formed almost 3 months ago by individual citizens including representatives of banking, business, labor, agriculture, education, religious, and public service organizations who believe that the reciprocal trade agreements program as conducted during the past 14 years is an essential cornerstone of our

foreign economic policy—a policy with which we have been endeavoring, with some success, to lead the world out of the aftermath of a shattering global war.

Ours is not a partisan position, nor is it dictated by narrow regional or business interests. Of the 275 members of this committee in 32 States, 166 are from banking, business, and industry; 87 from public-service groups, including veteran and church organizations; 11 from labor unions; 10 from farm groups. We do not inquire, nor have we been informed of the political views of the members of this committee. The fostering of reciprocal world trade is not—or should not be—a political question. Because of the decisive influence of the United States in world affairs the type of trade agreements program adopted by this Congress not only will determine our foreign economic policy, but the course of international economic relations. Surely this is a matter of vital concern to every American irrespective of his political or business affiliation.

Our committee believes that if the Reciprocal Trade Agreement Act is not renewed or if it is rendered unworkable by limiting amendments, the continuity of the entire foreign economic policy of the United States will be seriously impaired and our country's leadership jeopardized at one of the most critical times in history. The Citizens' Committee for Reciprocal World Trade is strongly opposed to the present bill as contrary to the best interests of the people of the United States.

They believe that H. R. 6556 does not, in fact, extend the Reciprocal Trade Agreements Act. It revokes it and reverses the liberal trade policy on which the act is based and which has guided the international course of this country for over a decade.

H. R. 6556 is frankly protectionist. It disrupts the intergovernmental procedures under which trade agreement policy has been gradually and carefully developed for 14 years and which has successfully protected the broad public interest. It establishes practically as the sole criteria for tariff adjustments the costs of the respective domestic industries regardless of their significance to the total national economy. In so doing it ignores the consumer. It concentrates entirely on limiting imports that might compete with our own producers—whether efficient or inefficient—and totally disregards the problem of sustaining export markets.

The CHAIRMAN. You believe in the elimination if it would serve a purpose in this process of the inefficient producer?

Mr. HISS. I believe, Senator, if a concession would bring about enhanced national prosperity and welfare on an over-all basis, if one of the factors, one of the results, might be some injury to a particular domestic industry, that would not necessarily preclude the wisdom of a decision to make the concession.

The CHAIRMAN. If the industry were a large one, but were inefficient and if more and more economic results could be achieved by exterminating it and making careful concessions, you would favor that course?

Mr. HISS. I think that question which I have heard asked in the course of the hearings this morning is one that requires a good deal of precision in answer, if the answer is to be helpful. There may in some instances, for example, be an important national defense interest

which would make is very desirable that a particular industry not be impaired in any respect, so it is very difficult to answer the question as broadly as it seems to me to have been asked.

I would say, again to repeat what I said to your earlier question, that if in a particular instance it were determined on an over-all basis, considering all aspects of the matter, that a reduction might cause injury to a particular individual domestic industry, but larger beneficial results might thereby be obtained, I would personally think that a concession would be desirable under those circumstances.

The CHAIRMAN. Is that the viewpoint of your organization?

Mr. HISS. I think that is the position that the committee takes.

The CHAIRMAN. You have made it quite clear.

You understand, the little producer is usually the high-cost producer, do you not?

Mr. HISS. In many instances, certainly.

The CHAIRMAN. And you understand that if you start wiping out the inefficient man, pretty soon you are working great concentrations of your economic strength into a very few hands.

Mr. HISS. Senator, it has been my observation, and I have watched the trade agreements program from its inception with some care, that in many instances fears of being wiped out by small industries or large industries or of being even seriously injured were merely fears, that the general increase in the domestic as well as the foreign market resulting from the agreement benefitted all concerned, and much of the fear and much of the talk about injury have been academic rather than real.

The CHAIRMAN. Somewhere in Shakespeare it is said in effect that the shadow may have more substance than the substance itself.

Mr. HISS. Senator, I have been impressed, as I think Mr. Rosenthal has. I have been through the records of past hearings on renewal of the act, and I have not found there evidence of anything but the fears. The fears were expressed each time, but I found no evidence of real substantial injury to any industry.

The CHAIRMAN. Fear deters planning, and that is a very important part of our economy.

Mr. HISS. That is a point which needs to be taken into consideration.

The protectionist philosophy inherent in this bill would destroy the basis for tariff negotiation as formulated in the Trade Agreements Act of 1934. Of what value would concessions to other countries be if complete protection is to be accorded any American interest that chooses to produce the same articles.

The CHAIRMAN. That is another variant of your theme. That would do injury to a particular domestic industry if it served in your opinion the larger national purpose.

Mr. HISS. As a very hypothetical question, sir, yes.

As a result of the disastrous collapse in world trade in the early 1930's, it became obvious to all concerned with this problem that the reduction in trade barriers was a necessity for world economic survival. To persuade other countries to lower the barriers they had erected against our goods—in many cases in retaliation to the Hawley-Smoot Tariff Act of 1930—we would have to be able to agree to comparable reductions in our tariffs. Reciprocal agreements were called for. The log-jam had been created by regarding tariffs, quotas, and



foreign-exchange control only from the standpoint of protecting individual domestic industries and without regard for the total national interest or international economic well-being. H. R. 6556 would inevitably restore this approach to tariff questions.

The CHAIRMAN. When did the Reciprocal Trade Agreement Act come into existence?

Mr. HISS. 1934, Senator.

The CHAIRMAN. Is there a country in this world today which does not protect its own national interest either by tariffs, quotas, or exchange restrictions?

Mr. HISS. None that I know of, Senator.

The CHAIRMAN. When did the war commence?

Mr. HISS. The war?

The CHAIRMAN. World War II.

Mr. HISS. 1939.

The CHAIRMAN. So it cannot be said that the reciprocal trade system has done away with the barriers to which you are referring or that it served to prevent war.

Mr. HISS. I think it helped reduce some of the barriers. I think it helped prevent additional barriers from being erected after 1934.

The CHAIRMAN. Let me ask you again: Is there any country in this world that is not protecting its domestic situation to the extent that it considers such protection necessary, either with tariffs, quotas, or exchange controls?

Mr. HISS. Not so far as I know. There are many, many countries. I don't know of any.

H. R. 6556 has cut the life of the act to a period too short to encourage other countries to undertake the lengthy negotiations necessary to conclude a trade agreement.

The CHAIRMAN. Did you hear the testimony yesterday and this morning as to the trade agreements which are in prospect?

Mr. HISS. I heard the summary you made of it.

The CHAIRMAN. They are fairly unimportant, relatively speaking, are they not?

Mr. HISS. I think no trade agreement is unimportant, Senator. The cumulative effect of a number of agreements is far more important than the effect of any single one.

The CHAIRMAN. Oh, yes. You would fill this glass fuller if you put a drop of water into it, but so far as the importance of the agreement is concerned, the evidence is clear here that there is nothing important in the offing.

Mr. HISS. By offing, you mean the immediate future, Senator?

The CHAIRMAN. Within the next year, let us say. That follows necessarily from the fact that you have covered most of your trade with existing trade agreements.

Proceed, please.

Mr. HISS. By subjecting each agreement to the risk of an indeterminate delay of 60 consecutive legislative days and of possible complete veto by Congress, it would destroy any incentive for other countries to enter negotiations.

The CHAIRMAN. Were you here when it was developed that at levels below the Secretary of State there has been a lot of discussion in the

State Department as to whether even to ask for renewal of the Reciprocal Trade Agreements Act this year?

Mr. HISS. I heard you mention that, also, Senator.

The CHAIRMAN. Proceed, please.

Mr. HISS. You didn't say what the reasoning had been.

The CHAIRMAN. I do not know what the reasoning has been, except that that negatives the terrific urgency which has been injected into this matter.

Mr. HISS. It just occurred to me I didn't know whether such a decision had been reached.

The CHAIRMAN. I am not giving it the formality of a decision. The decision ultimately was to go ahead and press for it, but for a period of months at these levels below the Secretary of State there was very serious discussion as to whether to ask for it at all.

Mr. HISS. I was just wondering whether it might have seemed from fear as to the reception the request might receive in Congress.

The CHAIRMAN. There might have been some political considerations.

Mr. HISS. It further subjects the Presidential authority to congressional veto thus vitiating the major contribution of the trade agreements program; i. e. permitting the Executive to adjust tariff rates through a process of bargaining within limits set by Congress and subject to periodic congressional review.

Section 2 of this bill stipulated that the President may not undertake negotiation of any trade agreement until the Tariff Commission has made a report on every prospective item in the agreement as to the extent to which duties may be adjusted, "without causing or threatening serious injury to domestic producers of like or similar articles or impairing national defense."

First this suggests the feasibility of a price measurement of costs of production when we all know that this is not the case.

The CHAIRMAN. The bill does not suggest it. I think it is generally understood you cannot apply an individual rule or formula to the subject.

Mr. HISS. It seems to me, sir, that it does suggest it. As no detailed criteria are given the Tariff Commission for determining injury, the Commission would have to rely upon estimates of costs of production. After all the data are assembled the determination would still have to be made, as it is now, largely on the basis of estimate and judgment. The present chairman of the Tariff Commission has already pointed this out. Estimates of costs are relevant factors in tariff adjustment. But they can't be made the sole criterion or treated as a rigid pseudo-mathematical standard if barriers to trade are to be reduced rather than increased.

Considering the fact that there were 3,000 separate import items listed for the general agreement, and that there may be as many as 500 to 1,000 in an individual agreement, it must be obvious that this provision can serve only to prevent rather than encourage negotiation of trade agreements.

The CHAIRMAN. What trade agreements are ahead of us to be negotiated?

Mr. HISS. In the period ahead, Senator, as already has been brought out, there are seven or eight countries participating in the European

recovery program with whom we have no trade agreements at present. There is always the possibility of renegotiating agreements already in effect, as conditions change to make it still more helpful.

The CHAIRMAN. If the Tariff Commission were competent to give digests on 1,400 items, it would be competent to give digests on the far lesser number involved in the scheduled number of those relatively unimportant countries, speaking trade-wise.

Mr. HISS. On that point, Senator, it seems to me there is a very great distinction between the advisory function in which the Tariff Commission has heretofore been engaged, drawing up and listing such information as it could get of the kind you have described, and giving it a new type of finality of determination.

The CHAIRMAN. That is another way of saying reaching a decision.

Mr. HISS. Under this bill it must set forth a top and a bottom with a degree of finality which I think the facts make impossible.

The CHAIRMAN. The law at the present time sets a top and bottom with a degree of fact and finality which should not be avoided.

Mr. HISS. Are you referring to the 50-percent limit, Senator?

The CHAIRMAN. Yes.

Mr. HISS. That doesn't take any investigation. That is set by arbitrary rule of Congress.

The CHAIRMAN. I am not so sure it is completely arbitrary. The Congress gave a lot of consideration to the imposition of those limits.

Mr. HISS. It is arbitrary in the sense that—

The CHAIRMAN. In the end somebody has to make a decision in this business, do they not?

Mr. HISS. Yes, sir.

The CHAIRMAN. You say the Tariff Commission should not be given the exclusive right to make that preliminary decision which under the present system or under the system proposed by this bill will be in the President.

Mr. HISS. I think the issue is not one of decision but of the factors which should go into making the decision, Senator.

The CHAIRMAN. You have heard it stated repeatedly and it has not been challenged, that every agency of this Government would be available to the Tariff Commission in reaching its decision.

Mr. HISS. But the Tariff Commission will not be available to every other agency of the Government when they reach their decisions in the way in which it has been in the past, Senator.

The CHAIRMAN. There is no reason why the Tariff Commission will cease being helpful to the other agencies as it has been.

Mr. HISS. The bill itself provides, Senator, that they must not participate in any way that could be considered other than merely giving facts. Can it not give advice to the negotiators?

The CHAIRMAN. But the general functions of the Tariff Commission to be helpful in these matters has not been changed. There is no prohibition against X department asking the Tariff Commission for information.

Mr. HISS. How about advice, Senator?

The CHAIRMAN. The Tariff Commission would give its advice to the President.

Mr. HISS. The bill provides that neither the Commission nor any member officer nor employer of the Commission shall participate in

any manner in the making of decisions with respect to proposed terms of any trade agreement. At present it can, and officers and employers can participate in the actual making of decisions.

The CHAIRMAN. Yes.

Mr. HISS. That would not be possible under the bill.

The CHAIRMAN. You would not allow them to have any decision under the bill?

Mr. HISS. I would recommend to your committee, Senator, that they not be given the sole power of decision which this bill gives them.

The CHAIRMAN. Your point is that the decision should be diluted and scattered among a larger number of people.

Mr. HISS. On the contrary, I think it should be integrated throughout the Government, all the agencies that are really vitally concerned.

The CHAIRMAN. Your suggestion is that it should be integrated with a larger number of agencies and that that larger number of agencies should evolve an integrated, what would you call it, decision giving weight to the views of all.

Mr. HISS. That is very well.

The CHAIRMAN. Under what standard?

Mr. HISS. Under the present standard of the Trade Agreements Act.

The CHAIRMAN. That is what, please?

Mr. HISS. The language of the act refers to this: "Regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production, so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States."

The CHAIRMAN. Is it not clear to you that that does not set-up the injury formula which the President has promulgated and which the Department of State has reiterated again and again in connection with renewal of this act?

Mr. HISS. Senator, the Presidential order to which you refer I think relates to the escape clause solely, does it not?

The CHAIRMAN. I am not speaking of that. I am speaking of the President's assurance in public speeches and otherwise that the operation of this act would not be permitted to injure any domestic industry.

Mr. HISS. It seems to me the record has demonstrated that that is the result.

The CHAIRMAN. Do you accept that as the standard?

Mr. HISS. Senator, if you mean that in no case would any single American industry be in any way injured by imports permitted through a concession, I would not agree.

The CHAIRMAN. Serious injury.

Mr. HISS. I would say any—

The CHAIRMAN. You still would not agree?

Mr. HISS. I still would not agree.

The CHAIRMAN. Go ahead.

It might then be the province of Congress to lay down a standard.

Mr. HISS. It certainly would be within the authority of Congress.

The CHAIRMAN. If the Congress has accepted the assurances of the President on that subject and of the Department of State, and if there

is any general opinion of the kind that you have expressed in the Interdepartmental Committee, then it is high time that a standard was laid out.

Mr. HISS. If the purpose of Congress is to insist on such a standard, the point is well taken.

The CHAIRMAN. That is the purpose of the bill.

Mr. HISS. The bill not only gives rigid undesirable functions to the Tariff Commission, it prevents the Commission from continuing its helpful role as a member of the team that conducts the program. The Tariff Commission is prevented by the present bill from participating, along with the Departments of State, Commerce, Treasury, Agriculture, Labor, National Defense, in the deliberations of the Interdepartmental Trade Agreements Committee. Incidentally, section 2 would take trade agreement questions affecting national defense out of the jurisdiction of this representative interdepartmental committee and make a single agency, not specifically qualified in defense matters, the Tariff Commission, the final authority.

The CHAIRMAN. The President is Commander in Chief, is he not? And he has the last word in the matter. He has vast facilities to obtain proper advice in the matter.

Mr. HISS. Under the bill it is clear that Congress has the final word with respect to any trade agreement, not the President.

The CHAIRMAN. I mean assuming that we continue the delegation of authority to the President, the President is the commander in chief, he has all sorts of military advice available to him. It is to be assumed that he would listen to that advice if a national defense question were involved, and he does not have to do anything under the proposed bill.

Mr. HISS. You mean assuming a bill otherwise in its provisions than H. R. 6556?

The CHAIRMAN. Assuming the present bill became law, the President still could depend upon his military advisers for what is best for the defense of this country.

Mr. HISS. He would not have the final decision with respect to the terms of agreement.

The CHAIRMAN. He would have the final decision except for the power of review.

Mr. HISS. By Congress.

The CHAIRMAN. By Congress.

Mr. HISS. Right, and the power of veto.

The CHAIRMAN. And the Congress at the present time has great constitutional authority in matters of the national defense.

Mr. HISS. But under—

The CHAIRMAN. Congress puts up the dough. The Congress has specifically congressional authorization with respect to raising and maintaining the military services, and the commander in chief as such has specified and a vast field of unspecified power on the subject.

Mr. HISS. But under this bill the President would not have final decision with respect to any agreement, Senator.

The CHAIRMAN. Under this bill the agreement finally consummated would be subject to the review of Congress.

Mr. HISS. And the veto of Congress.

The CHAIRMAN. Yes.

Mr. HISS. A much-repeated reason given by the authors of this bill—

The CHAIRMAN. I am merely suggesting that in view of the fact that under the Constitution the Congress has exclusive jurisdiction over this subject matter, and that no one has any except as the Congress delegates it, the Congress, as was suggested by someone here being analogous to a board of directors, perhaps should have the right to see what the officers are doing.

Mr. HISS. There is no question but that the Congress can take away what it has given if it so desires. It is a question of the wisdom of the action, Senator.

The CHAIRMAN. That is right. I agree with you.

Mr. HISS. You don't believe that the board of directors should review the acts of the officers? I think the board of directors has consistently reviewed the action of the officers.

The CHAIRMAN. And will do it after the expiration of 1 year.

Mr. HISS. I didn't know that had been decided.

The CHAIRMAN. I think you will find that will work out. Unless the President does not want any reciprocal trade legislation and the lead in the shoes of the State Department for so long in this session might give some little color to that argument.

Mr. HISS. A much-repeated reason given by the authors of this bill for placing this authority in the hands of one agency is to prevent "blind slashing" of tariffs. The record hardly supports this charge. The act has been renewed four times. Each time, except for the present occasion, there were lengthy open public hearings in both the House and Senate. Several thousand pages of testimony given at these hearings fail to disclose any real injury to any industry that has been caused by tariff reductions. The interdepartmental procedure has assured a careful, moderate, and gradual reduction of tariff duties.

The Trade Agreements Act of 1934, which substituted a liberal for a protectionist trade policy, was based on the realization that trade barriers affect the whole Nation and not just individual industries, and that tariff reductions, therefore, have to be made in terms of national interest rather than protection for a specific product; that not only is the level of exports related to the level of imports, but providing a market for others is an indispensable condition for having a market ourselves; that our standard of living, and our level of production, employment, and purchasing power—in other words, our prosperity, welfare, and security as a nation—is inextricably tied to the prosperity and trade of other nations; and that flourishing international trade is essential for political stability and peace.

Out of this concept of the function of trade and its relation to the public interest has emerged a foreign trade policy designed gradually to eliminate unreasonable barriers to trade and to expand the area and scope of international economic cooperation. It was largely because of our initiative in pursuing this policy that we have been able to move from the Atlantic Charter to the United Nations, from bilateral trade agreements to the General Agreement on Tariffs and Trade.

The CHAIRMAN. The Atlantic Charter, I suggest, is a completely forgotten instrument. They could not even find it when they started to look for it.

Mr. HISS. I would not by silence, Senator, want to appear to give assent to that.

This policy underlies the philosophy of the European recovery program and will be a major factor in assuring its success. Or to put it negatively, reversal of this policy could only jeopardize the European recovery program.

By overwhelming bipartisan vote, Congress has accepted very considerable obligations in the Foreign Assistance Act of 1948. Under this act we have undertaken not only an unprecedented financial program but, more important, we have committed our Government to moral responsibilities of enormous significance both to the security of this country and, indeed, of the world.

The CHAIRMAN. It has not escaped you that by virtue of doing this, which I am heartily in favor of doing, you may be lessening the possibility of export trade from this country.

Mr. HISS. By doing what, Senator?

The CHAIRMAN. By our foreign assistance act, which is designed to rehabilitate foreign industry and put them in position to make their own goods that they need themselves, you necessarily, as that gets to working, reduce the amount of exports which we are now making to the rest of the world.

Mr. HISS. Which we are now making, sir. I think in the first place it is by no means clear that encouraging the economic revival of the countries of Europe will result in the long run in a reduction even of the very high present levels.

The CHAIRMAN. You have slithered away from what I put to you.

Mr. HISS. I didn't mean to.

The CHAIRMAN. I am talking about the present. It will certainly have the effect of reducing our present scale of exports, will it not?

Mr. HISS. Unless we are prepared to receive in return for our present level goods and services of comparable value, then I think we should reduce our present level of exports.

The CHAIRMAN. That is another way of saying that unless we import labor to the amount that we are exporting it, you get your matters out of balance.

Mr. HISS. I quite agree.

The CHAIRMAN. We certainly should get them balanced.

Mr. HISS. But I don't think the European recovery program is going to lessen the opportunities for American exports on a sound basis.

The CHAIRMAN. I think it has been developed here that as they get their industry rehabilitated and get going and satisfy their local shortages, trade will become more selective.

Mr. HISS. That doesn't mean it will become lessened or of less value to the prosperity of the United States.

The CHAIRMAN. Only to the extent to which you push the selectivity.

Mr. HISS. Countries with a high level of prosperity normally engage in a larger world trade than those with a low level.

The CHAIRMAN. That is quite true.

Mr. HISS. As the Honorable W. Averell Harriman stated before he assumed his duties as the chief representative in Europe of the Economic Cooperation Administration:

Our influence in world affairs has become decisive. We must therefore in all our actions behave responsibly and with full consideration of the effects of what we do upon others.

It is the firm conviction of our committee that H. R. 6556 does not extend the Reciprocal Trade Agreements Act but instead makes it unworkable. The Citizens' Committee for Reciprocal World Trade, therefore, urges that the Reciprocal Trade Agreements Act be renewed as it stands for 3 years.

The CHAIRMAN. Do you really believe if this bill became effective, we could not make any more reciprocal trade agreements?

Mr. HISS. It would do what, Senator?

The CHAIRMAN. Do you really believe if this bill became effective we could not make any more reciprocal trade agreements?

Mr. HISS. I think the value of any agreements we were somehow able to squeeze out of this would be so reduced that the net effect would be the same as if we had no further agreements.

The CHAIRMAN. But we could make further agreements, could we not? What is there in the bill that would prevent it?

Mr. HISS. The whole pattern established by the bill tends to minimize the opportunity for getting effective, valuable agreements, after 14 years of a different procedure which has worked.

The CHAIRMAN. I do not challenge what you say, but I am challenging you to show what is in the bill that will prevent making trade agreements. Your last statement was: "It is the firm conviction of our committee that H. R. 6556 does not extend the Reciprocal Trade Agreements Act but instead makes it unworkable." If it is unworkable, it means you cannot make further trade agreements.

Mr. HISS. Senator, if it is unworkable, it means you can't make valuable and good trade agreements. I would not be prepared to say you could not get one tiny valueless agreement. I would not go so far as that.

The Chairman. You are addressing the whole field of the subject. Why could you not get one good agreement?

Mr. HISS. I am embarrassed that apparently what I have said has carried so little meaning. You asked me not to rehearse the whole field again, but I have just been over the points which lead me to that conclusion. Briefly summarized, they are that the bill establishes protectionism for each individual American industry as a sine qua non of the trade agreements program.

The CHAIRMAN. Then that statement goes to that argument.

Mr. HISS. It goes to that. It also goes to—

The CHAIRMAN. In other words, what you mean by "unworkable" is that it is undesirable philosophically.

Mr. HISS. Unworkable in the sense of producing agreements of value. That is the test, isn't it, Senator?

The CHAIRMAN. That is what I am driving for. Let us say that we decide to negotiate a trade agreement with Greece tomorrow.

Mr. HISS. Yes, sir.

The CHAIRMAN. Greece exports olives, olive oil, citrus fruit, and possibly some other things. Let us assume that California is asleep and that Florida is asleep and that we would decide to take some olives and olive oil and citrus fruits into the United States. We want to figure out something that we can export to Greece, do we not?

Mr. HISS. That isn't difficult to do.

The CHAIRMAN. Then, what is to prevent making an agreement along that line?



Mr. HISS. Under the bill as it is now written, the Tariff Commission would first have to list the maximum reduction which would be possible without threat of injury to the comparable American producers.

The CHAIRMAN. That is right.

Mr. HISS. It seems to me the Tariff Commission would necessarily, therefore, fix a rate which made reduction either so slight or non-existent that it would be of no value to Greece.

The CHAIRMAN. It would fix a rate that would not injure domestic industry. Would that be unworkable?

Mr. HISS. It would fix a rate, Senator, which would not permit any threat of injury to any American industry, not to American industry as a whole.

The CHAIRMAN. No. There is nothing of that kind in the bill.

Mr. HISS. I am sorry to disagree with you.

The CHAIRMAN. That is something that you have spun in your mind out of the bill. The Tariff Commission would sit down and examine the effects of the implications in this country of olives, olive oil, and citrus fruits, and it would say, "We can allow this to come in without injury to these businesses in the United States," or "We cannot." If they decided we could, it would not be unworkable, would it? If they decided we could not, would that necessarily be a bad result?

Mr. HISS. Senator, I have already said that in my opinion the only standard this lays down for the Tariff Commission is necessarily the standard of cost of production.

The CHAIRMAN. That is right, but that may not make the agreement unworkable. It may be a highly workable agreement. While we are talking, I think we are sparring about the meaning of the word "unworkable." Something in your mind is unworkable if it does not meet your philosophical concept of what reciprocal trade should be. Something in my mind is workable if it results in an agreement that is mutually satisfactory and mutually profitable.

Mr. HISS. I was thinking not in philosophical terms, but in practical terms of what would lead—

The CHAIRMAN. All right, what would prevent an agreement with Greece that would be mutually profitable under the terms of this act?

Mr. HISS. I think the findings of the Tariff Commission as to costs of production of domestic producers would definitely tend to militate against a workable, valuable agreement.

The CHAIRMAN. Show me wherein the bill talks about the cost of production as a standard.

Mr. HISS. I am referring to page 2, section 2, Senator. The provision is that the Commission is to make an investigation and to report their findings as to the extent to which duties and other import restrictions on the articles included in the list may be modified. In other words, they determine what can and can't be done in order to carry out the purpose of such section 350 without causing or threatening serious injury to domestic producers of like or similar articles.

The CHAIRMAN. That is right. Where is the production formula?

Mr. HISS. I have already said, Senator, in my earlier statement that the only standard, it seems to me, which the Tariff Commission could possibly follow there would be the cost of production.

The CHAIRMAN. That is not mandated by the law, is it?

Mr. HISS. I think it is mandated by common sense, Senator.

The CHAIRMAN. That is your opinion.

Mr. HISS. That is my opinion.

The CHAIRMAN. It is not mandated by the law, is it?

Mr. HISS. I know of no other formula that could be devised to meet this language.

The CHAIRMAN. If that is the essential formula, why should it not go into the cost of production?

Mr. HISS. If the cost of production is the essential formula?

The CHAIRMAN. I say, if to reach the kind of decision that we are talking about they must go into the cost of production, why not?

Mr. HISS. I say they should go into the cost of production as one of many relevant factors in determining the adjustment of rates in the bargaining process.

The CHAIRMAN. Is there any limitation on the other factors in this bill?

Mr. HISS. I think very definitely this bill excludes all factors, such as the burden consumers are bearing by the protection being given to a particular domestic industry.

The CHAIRMAN. Again, you don't like the standard of injury. You are arguing against the standard of injury.

Mr. HISS. Senator, I am arguing against the standard of injury for any particular industry as the sole factor, not as one of the relevant factors.

The CHAIRMAN. You have made that very clear.

Mr. HISS. I am glad.

The CHAIRMAN. There is nothing in the bill that will prevent the Tariff Commission, keeping within the formula of no injury, from availing itself of any type of information that it might care to.

Mr. HISS. What would it use?

The CHAIRMAN. Is that not correct?

Mr. HISS. Senator, it could avail itself to it, but what could it use it for?

The CHAIRMAN. Is that not correct; that under the standard of no injury, within that standard, and working toward a decision as to whether there will or will not be, what limitation is there in the bill against recourse to any source of pertinent information?

Mr. HISS. But, Senator—

The CHAIRMAN. Never mind the "but." Answer me, and then we will go off into the philosophy.

Mr. HISS. The provisions I have just read stand in the way, Senator.

The CHAIRMAN. What, please, is that? Read it again. I did not catch it.

Mr. HISS. The Commission is to find the extent to which duties and other import restrictions and articles included in the list may be modified without causing or threatening serious injury. Injury is the only standard there given.

The CHAIRMAN. Exactly, but within that standard and keeping to that standard, I am not asking you to agree to the standard. Assuming the Congress puts it down as the standard.

Mr. HISS. Yes?

The CHAIRMAN. Is there any limitation on the Tariff Commission as to where it shall go to find the pertinent facts to reach its decision on that?

Mr. HISS. But the facts as to support opportunities are not pertinent—

The CHAIRMAN. I am not talking about that. Please answer that. That is a simple question. I am not asking you to accept the injury test. I am saying to you that if the Congress should lay it down under this bill, then within the scope of the bill is there any limitation on the Tariff Commission as to where it should go for pertinent information?

Mr. HISS. Senator, I think what you are saying is that if you ask the Tariff Commission to determine the quality of oranges, it may also if it wishes, consider the quality of automobiles. It won't be relevant to the issue.

The CHAIRMAN. I am not saying that I am asking the Tariff Commission to do that. Will you listen again?

You assume that the Congress makes this test—this is my simple question, and this is all—assuming that the Congress makes this test, is there anything in the bill that limits the Tariff Commission to where it may go for pertinent facts bearing on that standard?

Mr. HISS. Senator, there is nothing which limits it as to where it may go for pertinent facts bearing on that standard.

The CHAIRMAN. Now you have answered the question.

Mr. HISS. However, may I go on?

The CHAIRMAN. You develop your theme. I just wanted that simple answer to that simple question. I believe you have given it to me; or was that by inadvertence?

Mr. HISS. Senator, may I go on with what seems to me the other half of the problem?

The CHAIRMAN. Oh, yes; I am willing for you to do that.

Before you go to that, let us see if I do finally have your answer to the simple proposition that if the Congress passes this bill and lays down the injury standard that there is no limitation in the bill on where the Tariff Commission shall go for pertinent facts in support of the operation of that standard. We are agreed on that; are we?

Mr. HISS. We are, Senator.

The CHAIRMAN. Now, you may get to your theme.

Mr. HISS. May I say that it seems to me that that simple proposition is so simple that it leaves out of account the other factors bearing upon foreign trade which the Tariff Commission will have no reason to consider, because they are not relevant to the injury formula.

The CHAIRMAN. That comes back to our original discussion as to the validity of the injury formula, and as to that, we are just exactly where we started from.

Mr. HISS. Senator, we launched on this discussion by your challenge to me to find where the cost of production element was a main element, and I thought you were telling me—

The CHAIRMAN. I still challenge you on that.

Mr. HISS. I thought you were just agreeing with me that that would be the primary relevant factor.

The CHAIRMAN. I have never said any such thing. I never implied any such thing. The whole context of what I have been talking about here is that there is no limitation on the Tariff Commission in applying the standard which I have mentioned.

Mr. HISS. But, Senator, may I ask you, what in your opinion would be relevant to the issue of injury apart from cost of production?

The CHAIRMAN. I can see where in many cases, perhaps in all cases, there would have to be some study given to that, and the Tariff Commission, I assume, would give that study, but there might be many other factors.

Mr. HISS. Such as, Senator? What are some of the other relevant factors?

The CHAIRMAN. Competition factors, investment factors, geographical factors, consumer demand factors, varying price factors. You could think of 50.

Mr. HISS. I don't get their relevance to the question of injury.

The CHAIRMAN. Anything that would bear on injury. You look at this domestic industry which, let us say, is up for question as to whether it would or would not be injured. You study that domestic industry and you study any fact that is pertinent to the injury.

You are fastening this cost of production as the sole factor, and I will not let you make that crippling amendment.

Mr. HISS. I am sorry, Senator, I don't see how I can consider issues such as the value of export trade to the United States could possibly be taken into consideration.

The CHAIRMAN. I think you could think of many things that could not be taken into consideration.

For example, you could not take into consideration the case that we have discussed here that we will exterminate "X" industry, which is in this country, because we could put more men to work if we exterminated and built up "Y" industry as an exporting industry. You could not take that into consideration.

Are we in agreement on that?

Mr. HISS. We are, sir.

The CHAIRMAN. Thank you very much.

Mr. HISS. Thank you, sir.

The CHAIRMAN. Mr. Patchin, please.

Mr. Patchin, make yourself comfortable and identify yourself to the reporter, please.

#### STATEMENT OF ROBERT H. PATCHIN, VICE PRESIDENT, W. R. GRACE & CO., NEW YORK, N. Y.

Mr. PATCHIN. In view of the lateness of the hour and your kindness in remaining here, I will try to be brief, and I will try not to duplicate but to supplement the reasons advanced for extension of the Trade Agreements Act without amendment, including those voted by the House, and for a longer period than 1 year.

My observations are offered in the conviction that all the members of this committee desire a sound economy in the United States, and a progressive development of foreign trade as an essential development thereof.

Our present foreign trade, of course, is admittedly out of joint with the value of exports, the excess being financed largely by gifts and loans. The productivity of countries which might ordinarily supply merchandise to pay for our exports with goods and services is still seriously limited.

I believe nobody proposes a wholesale sweeping away of the tariff so as to lay American industry, agriculture, and so forth, open to an

inundation of foreign goods. The Trade Agreements Act and agreements in force thereunder I believe contain safeguards against this. But the United States does need and it would seem can safely absorb more foreign goods. They are needed for the maintenance of our economic life and industry. They are needed to supplement our own waning national resources in a number of strategic lines. They are needed better to balance the chronic excess of exports and to recoup some of the vast amounts being advanced to other nations to aid their recovery.

An increase of imports is essential to our position as a creditor nation. Unless we wish to see our loans turn into little-appreciated gifts we should receive goods and services in payment or at least partial payment.

I noted the other day that the head of an important trade organization had said that all of the funds to be expended on the European recovery program ought to be clearly regarded as gifts. I don't agree with that.

The CHAIRMAN. I believe the general opinion is that those which can be put on a business basis should be regarded as loans, either from governments or from private parties, that those which have dubious values as loans should not be regarded as loans, and that mentally, at least, we should figure that we are not going to get it back.

Mr. PATCHIN. I believe that idea prevails, and I believe also there is a sort of cynical idea that anything that we do extend to others is sort of gone forever.

The CHAIRMAN. You could make a pretty good case for that.

Mr. PATCHIN. Because the productivity of those countries has not yet reached a point where they can supply sufficient in return.

The CHAIRMAN. Of course, that poses the enormous question of when the productivity will increase to the point where they can pay loans. We did not collect anything after World War I. I am not in favor of trying to collect unrealistic debts. Personally, I would rather wipe them out unless they can be put on a basis of business. There is nothing, I suggest, so harmful to our international relations as to be asserting demands for money if the other fellow figured he would never be called upon for payment.

Mr. PATCHIN. I agree with that, except for the last part that he thought he wasn't going to be called upon for payment, but could pay, then I think our attitude ought to be different.

The CHAIRMAN. When you get into the "could pay" angle, then you get into the Shylock angle.

Mr. PATCHIN. That is what they say.

The CHAIRMAN. And it takes two people to effect a payment.

Mr. PATCHIN. That might be. I think we could discuss that at considerable length.

The trade agreements policy has been so much discussed from the standpoint of what we have gained or lost that due attention and emphasis in my opinion have not been given to the potentialities of the act and the agreements to check discrimination against American commerce. While some restrictions by other countries have a possibly or even definitely discriminatory character and are being tolerated in the interest of world recovery, these, as time goes on, may become irksome and damaging.

It is unlikely that any important country with which we have an agreement would like to find itself without one in case the United States should suggest its termination unless discriminatory practices were terminated. For the agreements rest on the principle of non-discriminatory multilateral trade as opposed to narrow bilateralism or the creation of rival economic blocs of nations.

There now exists a network of 42 trade agreements between the United States and other countries, and between many of these other countries as well, which I understand total more than 100 agreements in all. Does not this constitute a vast and formidable living, economic force serving as a make-weight against the policies of nations not within this area of agreement and which are not working for liberal and expanding trade relations?

I do not mean to say that all of those who have not come within the area of the general Geneva agreements or reciprocal tariff agreements which we had previously made are not liberal-trade-minded, but some of them who were not in on that are definitely not, and you all know who I mean.

It is obvious—that a structure of friendly trade relations that has been developed, which has not been tested but is grounded on the principle of liberal trade relations, and it is a factor in the total worked economy which I believe has great value as opposed to other policies and ideologies.

I think it has great value, and that is one of the reasons that I hope nothing will be done by us to chip away that structure or to chip away foreign confidence in the structure that will permit a possible prejudicial extension. If we do not appear to value it very highly, others will cool very rapidly.

The importance of these liberal trade relations and getting away from the high barriers to which you, Mr. Chairman, referred earlier in the day, saying there was no proposal to go back to those, the importance of these liberal trade relations arises from this fact: It is obvious that if the volume of total world trade should revert to pre-war dimensions or anything like it, there will just be enough trade and prosperity to go around. Nobody will be very happy and the ground will be more fertile for things we do not like.

I have received today through the Department of Commerce statements on total world trade as measured by everybody's exports. In 1938 at prices then prevailing, the total world exports were \$21,984,000,000, and in 1947 the value of everybody's exports throughout the world was \$46,000,000,000 at prices prevailing today. At 1938 prices, leaving the price at twenty-one-billion-odd dollars in 1938, the estimated volume of exports which was twenty-one-billion-odd dollars in 1938 had risen only to \$22,772,000,000. So, we are very little above the 1938 volume of world trade, despite the tremendous productivity of the United States and the great swelling in value of our exports.

The CHAIRMAN. You get a very significant view of the volume of the rest of the world if you deduct our own contribution to that volume.

Mr. PATCHIN. Very great.

I was also told that the British exports by volume had been pushed up to about 120 percent of prewar volume, but that their imports were only about 80 percent. To England imports have always been even more important than exports.

The fact that the United States remains the one great nation with a tremendously increased productivity and ability to supply goods should not blind us to the need of reviving the normal natural forces of commerce which prior to the World War had steadily grown, but which were shattered by World War I, recovered only slowly thereafter, and were again shattered by World War II. So, we are still living in a pretty poor world.

The United States has given vastly of its treasures and resources to heal the world's economic wounds and has recently pledged itself to a long and costly program of aiding European recovery. This program is designed to help the European countries help themselves, and the same objective is to be sought in other parts of the world crippled by the war.

The question presented by H. R. 6556 is whether the trade agreements should be extended for only 1 year instead of 2 or 3, and also by detaching the Tariff Commission from any part of the negotiations.

I won't go into that. We all know that. We have talked about it all day. I believe a good case had been made of the contention set forth in testimony by witnesses before Congress many times that before World War II our foreign trade with countries with which we had agreements increased more rapidly than it did where we had none.

I do not know of any industry which has been seriously injured by reductions made in our tariff. After 1939 when Europe's ability to produce and export peacetime goods was greatly reduced, the United States became the world's greatest supplier of industrial products and a great scarcity of everything developed, and tariffs made little difference one way or the other, and these agreements made little difference one way or the other as to the actual movement of goods.

Those who were able to buy purchased wherever they could obtain delivery. Trade was surrounded in most countries by wartime controls on the movements of merchandise, shipping, and monetary exchange, which have continued in many cases, creating a situation very different from that which had previously existed.

We are still in the transition period, but the continuing negotiations of friendly trade agreements is an evidence of progress, in my humble opinion. The precise operation of the newer agreements and the older agreements under more normal conditions remain to be seen. However, the act and the language of the agreements contained safeguards against any serious or lasting injury.

The CHAIRMAN. I am very glad to hear you say that. It is perfectly obvious, and yet there has been a lot of ducking around here from that obvious conclusion.

Mr. PATCHIN. Which one is that?

The CHAIRMAN. Your conclusion that the effect of these agreements remains to be seen. We have to have some return to something resembling normal economic relations in this world.

Mr. PATCHIN. I think that is true. I think they have had a great beneficial effect in fortifying the cause for more liberal trade relations.

The CHAIRMAN. I think you could make a very good argument that the very process of trading, assuming that they didn't trade because of the expectations of favors to come unconnected with trade. I think the very process of getting around the table and making it an im-

portant subject, putting their mind on it, exchanging viewpoints, I think is a very helpful thing.

Mr. PATCHIN. Senator, despite the suggestions that have come from some people in Congress that this was a very slap-dash proceeding, I believe that they have accumulated more detailed and exact information about our trade relations with other countries and the processes that affect them than we have ever had before in the Tariff Commission, Congress, or anywhere else.

I think that has happened. Of course, that is changing, and it has to be kept up.

The CHAIRMAN. If I may suggest it, I think there is a great virtue in sitting around a table, getting acquainted with each other, and focusing our minds on trade arrangements of mutual advantage.

I think that this in itself is a constructive thing. It is open to question whether such trade agreements have been made, and that in turn, I suggest, cannot be tested until we have some return to what might be called normal trade relations.

Mr. PATCHIN. I don't wish to be understood as saying that some of the agreements before the war were not beneficial. I believe that they were, and I feel that their effect, particularly in South America, were very beneficial for reasons I will state hereafter.

Everyone knows or has learned that psychology plays a great part in international relations. The Reciprocal Trade Agreements Act of 1934 offered the first check to the competitive tariff raising which began in the twenties.

In Latin America, with which I am most familiar, the policy gave pause to what had been a rather steady and progressive imposition of prohibitive duties on Latin-American products which in our over-all interest, commercial and military, we needed, and which our Latin-American friends could send us in payment for their purchases from us.

It was not easy for the State Department to obtain trade agreements with Latin-American countries in some cases. For instance, Peru felt injured because the Sugar Act of 1934 had closed out from the United States all but a few thousand tons of sugar from that country, which is a small producer, and which cannot become a large producer because of the limitations of land and water, due to the fact that prior to that time a much higher tariff had drastically impaired her ability to sell sugar here.

In 1937 the Sugar Act was amended so that foreign countries other than Cuba were granted a share of the chronic deficit in the Philippine quota. This enabled Peru and the Dominican Republic to export to the United States, what, in relation to their limited production, was a satisfactory amount, but in the last revision of the Sugar Act most of this quota was done away with in favor of Cuba, so the Peruvians are not very happy about trade relations with the United States today. They hope that may be remedied.

Since in some quarters it has been suggested the reciprocal trade information committee, which holds hearings when a trade agreement is proposed, has given little heed to suggestions from domestic interests, I might cite the case of Chile.

Shortly before the beginning of World War II, a trade agreement was considered. Among the articles announced to be subject to pos-



sible tariff consideration were copper and white beans. A hearing was held and a large number of Senators and Representatives from copper-producing and white bean growing States appeared and made vigorous suggestions and objections. No trade agreement was made with Chile, and it was only at Geneva that an agreement was concluded. Meanwhile, the United States on its own volition suspended the excise tax on copper imports, because the metal is urgently needed in this country today.

The part which the Tariff Commission has had in the functioning of the reciprocal trade information committee, and I believe in the trade agreement committee, has already been discussed, but the proposal in H. R. 6556 entirely detaches the Tariff Commission from negotiation and power to ride herd on the President's exercise of the power delegated to him within certain limitations is, in the opinion of many who have studied the question, a mistake. The other members of the reciprocal trade information committee represent the departments and agencies having to do with those elements of the national economy which the act says are to be considered and weighed in its administration.

It should be remembered that the act has been considerably amended at different stages of its life to date, and the procedure has been amended, in each case some objection being made.

I venture to say that no legislation has done more to convince other nations that the United States is gradually recognizing the changing conditions arising from its becoming the world's greatest creditor nation. Many—I think most—if we would know their innermost feelings, do not wish to borrow. They prefer to trade, and certainly fair exchange of goods would be cheaper for us than the continuing excess of exports, the eventual payment of which is dubious.

The proposed extension of the act for only 1 year with amendments that can scarcely fail to slow down its administration has come as a surprise and shock to other nations. They are led to believe that, while the United States is a prodigal almoner lend-leaser and straight lender, it is becoming hesitant, to say the least, about continuing liberal trade relations. I don't believe that, but that impression has been created.

It is unlikely that all of the new agreements or even some of the old ones will prove entirely satisfactory to the various parties when tested in recovering world trade. Modifications are desirable in that case. Should the act lapse, say, a year from now, the President would then have no power to alter any duty up or down, although the agreements would remain in effect for the term specified in the language thereof.

If the administration of the act becomes more time-consuming, then modifications may be more difficult to arrange, and this might cause one party or the other to decide to terminate the agreement entirely. It is not only a question of our possibly terminating agreements if we feel the agreements are not operating advantageously; the other party might want to do that, and it might want to do it for the purpose of getting loose from it because of liberal trade relations and tying up with some other theory that they like, some other philosophy of trade: statism.

The CHAIRMAN. They do whatever they think serves their best interests. They may be wrong in there as to what serves their best interests.

Mr. PATCHIN. But if there is some advantage in the agreement itself and they feel that it is going to be our permanent policy, they will not particularly wish to disengage themselves from the United States.

The CHAIRMAN. There isn't anything in the world as empty as an international agreement that does not rest on mutual benefit and profit.

Mr. PATCHIN. That is perfectly true.

The CHAIRMAN. You cannot maintain one very long that doesn't rest on that basis. Is that not correct?

Mr. PATCHIN. I think that is right. I know it is right.

The CHAIRMAN. Of course it is right.

Mr. PATCHIN. The rest of the world will become sceptical about the chances of American ratification of almost any treaty. Of course, the trade agreements are not treaties, but they are frequently spoken of as such and any suggested agreement would have then to run the gauntlet not only of the Tariff Commission but possibly of congressional veto in case the President chose not to obey the Tariff Commission's mandate, and would chill the confidence of the other countries that the agreements would ultimately be approved by the United States.

The CHAIRMAN. These countries show great confidence in us when we have appropriation bills here that benefit them. I wonder what scares them so if they should decide to repeal the reciprocal-trade agreements.

Mr. PATCHIN. I think thoughtful persons abroad as well as at home know that financial aid cannot go on indefinitely. Therefore, the need for as liberal trade relations as are consistent with our general interest will become more important when the money runs out than now. That is the reason I think there is concern about it.

As to the extension for only 1 year, it seems to me the big question here is whether the Congress shall decide that it wants to go along, it wants to continue reciprocal-trade-agreement methods, or whether a 1-year extension might only leave the way open for another struggle for renewal a year hence.

The CHAIRMAN. If you have a 1-year extension, of course the whole subject would be reviewed next year.

Mr. PATCHIN. It would come up anew.

The CHAIRMAN. And it would be reviewed in a year that will not be affected by presidential politics.

Mr. PATCHIN. Yes. I should think that whoever will be President then would like to have these powers.

The CHAIRMAN. There is no suggestion that I know of—that would not be correct. There certainly is no substantial sentiment in Congress evidenced so far that would indicate abandonment of the reciprocal-trade system.

Mr. PATCHIN. I am very glad to hear that, and I noticed in the House debate—I suppose it is in order for me to refer to the other body—that a number of persons declared their belief in the system who had also voted against the extension of the act before.

The CHAIRMAN. I find myself in that category.

Mr. PATCHIN. Really?

The CHAIRMAN. I voted against the extension. I shall vote for the extension if it is properly circumscribed so as to reduce somewhat the completely uncontrolled discretion that the President has in the operation of the system.

Mr. PATCHIN. I don't know how much importance is to be ascribed to the bill introduced in both Houses, I think by request. I believe it was mentioned here yesterday when I was not here. I refer to a bill to convert the Tariff Commission into a foreign-trade authority and power and directive to terminate all agreements at the earliest possible moment permitted by their terms, the foreign-trade authority thereafter to readjust duties and submit its findings to Congress for a possible 90-day veto.

The CHAIRMAN. There is such an opinion, and there are some pretty good men who believe that that ought to be done. I am talking about what the present situation is.

Mr. PATCHIN. The American Tariff League—

The CHAIRMAN. You cannot make a mystic out of the reciprocal-trade system. It is something that has to justify itself as it goes along, as something that deserves scrutiny. It cannot be accepted as one of these things which demands and must receive blind idolatry. These people who have different ideas on the subject under our process are entitled to be heard, but taking our immediate problem, it is one of the extension and as I pointed out in this hearing before, the Senate Department itself seemed to be hesitant as to whether to ask for an extension this year.

So the State Department itself, below the Secretary level, does not seem to feel there is any great peril involved in rushing into this thing.

Mr. PATCHIN. I have been interested in reciprocity from away back when President Taft tried to engineer reciprocity pacts with Canada.

The CHAIRMAN. It is good Republican doctrine.

Mr. PATCHIN. The Canadian Prime Minister went to the country on the issue, however, and he was beaten. It never came to anything.

I would not ever, if I had any influence on the tactics to be pursued, think of letting any law that was on the books lapse if I thought it was a good thing.

The CHAIRMAN. President Truman found that out when he let OPA lapse with a veto a year or so ago.

Mr. PATCHIN. I believe the examination to which you believe this should be subjected should extend not only to the immediate effect on trade, but to all the aspects of the influence of the trade agreements on the general spirit of world trade so it may become more open. I don't mean free trade. I mean freer trade, possibly, and not to be lost and tempt other nations and see the world drift into the formation of economic blocks.

I think that would set us far, very far back with the trade agreements themselves.

I believe the trade agreements themselves, if vigorously administered, can be made extremely useful in promoting our own trade.

The CHAIRMAN. You know that we are promoting an economic trade block in Western Europe?

Mr. PATCHIN. Yes; that is a customs union there. That group which would incorporate a certain number of small states, geographi-

cally equal to only a small area in the United States, would treat everybody on the outside on the same basis in return for equivalent fair treatment.

As to what agreements are likely, I believe a big job ahead will come in possible readjustments of the existing agreements, and that that is the reason why the Tariff Commission should not set up the limitations on the President's authority, which would be made if he chose to ignore them, the subject of possible congressional veto.

The CHAIRMAN. He has no more infallibility in making a readjustment than he has in making the original agreement.

Mr. PATCHIN. That is true.

The CHAIRMAN. The same considerations apply to both.

Mr. PATCHIN. If the function of the Tariff Commission were advisory and you didn't have to run the risk of tariff veto, I don't see any grave objection to it, and possibly drawing the Tariff Commission deeper into the negotiations so they would be better informed.

The CHAIRMAN. It is only advisory in effect under this bill. The President can disregard its recommendations. Then he comes to Congress for a review. The Congress votes it up or down. There is no log-rolling in it.

Personally, I would be willing to drop out the congressional review of this if there is some substance left to the role of the Tariff Commission.

Mr. PATCHIN. There is a lot of delay involved. For instance, suppose you want to make a tariff agreement during the recess of Congress; you must wait until Congress meets before it can be submitted, and then, of course, 60 legislative days are likely to become somewhat longer than 60 days for a fellow who has to meet a note.

Suppose you want to make an agreement, say, only a month or so before a long recess of Congress, that is another element.

I thank you very much, Senator, for your consideration in being back here. I don't know whether I have forgotten anything that I thought to say. I believe in the policy, and I believe there is general favor for it among businessmen. There is one thing I would like to add, because I thought of it in response to Senator Martin's question as to what consideration was given the small fellow.

Direct exporting by a very small business is a rather difficult thing, but they can share in export through export merchants. If there is a large and healthy export trade, many small businesses are suppliers to manufacturers of articles which are exported, and they are those that will again benefit in that way.

The CHAIRMAN. That point must be gone into very carefully. The impact of what you do on the high cost producers, the fringe businesses, if you please, because if you take them out of business you necessarily achieve a very heavy concentration of your economy into the hands of a few large industries.

Most of our economy in this country is supported by small business. We often forget that.

Mr. PATCHIN. Yes. I think the language of the House bill does make the Tariff Commission heed the fear, because it says threat of any producer. That might mean two producers. They might be persons who had become producers under the spur of war demand at very high cost, indeed, and they might well fear a reduction of

duty and might well plead for a very great increase in the duty so that they could stay in.

It certainly is to be hoped that any such narrow language as it seems to me is in the House bill could be liberalized, if it is necessary to continue it.

Thank you very much, Senator.

The CHAIRMAN. Thank you very much for coming. We are glad to have you here.

(The following was submitted for the record by Mr. Patchin:)

[From the Washington Post, May 19, 1948]

### RECIPROCAL TRADE ACT

#### A COMMUNICATION

Aside from its relation to our bipartisan foreign policy and ERP, may I cite some reasons why Congress should not permit the Reciprocal Trade Agreements Act to be crippled by amendments such as have been proposed by the Ways and Means Committee, with the minority dissenting, but should be extended for 2 or 3 years. Among these reasons are:

(1) The act (RTA) is the only medium yet here devised by legislation for selective adjustment of tariff duties through which, at the same time, the United States obtains reciprocal concessions in foreign tariffs.

(2) If it lapses, existing agreements, some 40 in number, will remain in effect for their prescribed terms. But the President will no longer have authority to make, in order to meet possibly changed conditions, adjustment of duties, up or down. With the act in effect, such changes in existing agreements can be negotiated within prescribed limits. The agreements contain escape clauses which can be availed of in the case of excessive importation or frustration of our benefits by action of other governments. But the lapsing of the right of the President to adjust rates after negotiation would rob the whole trade agreement structure of the flexibility which is one of its qualifications and which will be needed as world trade returns to normal.

Amendments limiting the President's negotiating authority or subjecting it to the possibility of congressional veto would complicate, delay, and place in jeopardy new agreements or changes in old.

It is likely that other countries as well as the United States may desire adjustments which would make modification desirable but this will be impossible or made extremely difficult if the act lapses. Either would be accepted as a forewarning of disintegration and eventual termination of all agreements.

3. The lapsing of the act would be notice to the world that the United States is changing its tariff policy. But no alternative policy has yet been formulated. The American tariff today is the act of 1930 (Hawley-Smoot) as modified by the trade agreements in force and by application of the most-favored-nation principle of extending the agreement concessions to all nations which grant us similar favorable treatment in return.

4. Is the country or the Congress prepared to revert to readjustment of the tariff only by general tariff revision, by Congress, at infrequent intervals? For many decades it has been found practically impossible to legislate on the tariff selectively, i. e., without an entire overhauling. The risk of precipitating a general revision has been too great to risk. The business and political unsettlements brought or aggravated by some general revisions are well remembered.

The tariff of 1930 provides for adjustment on a basis of comparative foreign and American cost; but this did not work in the early thirties when last essayed. Could it work in the present unsettled era of unstable currencies, trade controls, etc.? That the tariff-making power resides in Congress is a constitutional fact. In the RTA Congress delegated, within prescribed limits, its tariff-making power to the Executive, just as it had delegated its powers in other fields such as interstate commerce, public health, etc. Such delegation has been found almost imperative where flexibility of administration is desirable. Congress has always been able to take back its tariff-making power because it was never delegated for more than 3 years. But it chose to extend the act four times.

Our trade with countries with which we had agreements grew more rapidly than where there were none before the war. The policy evolved by Cordell Hull was the first check to the competitive tariff raising that started in the twenties. It was a factor in knitting closer relations with Latin America and expanding trade with the sister Republics.

During the war they had little effect for the United States was the only great supplier. The world bought goods wherever obtainable. As more normal conditions are restored the agreements will be tested. It is improbable that all will wholly satisfy. This signifies that the present is a dangerous time to strip the President of authority by negotiation with friendly countries, with whom we are cooperating in so many other ways, to adjust tariff relations in a way that will speed the recovery of world trade.

Extension of the act unchanged for 2 or 3 years will keep the tariff out of the campaign at least as a major issue. If short-comings and defects are developed they can be corrected without scrapping the whole reciprocity idea. Both parties have sanctioned the principle in the past. Moreover such an extension would probably effectively work against any premature demand for another general tariff revision.

Nobody favors the wholesale sweeping away of the tariff or laying American industry open to an inundation of foreign goods. The act and the agreements are proof against this. But the United States does need and can safely absorb more foreign goods. They are needed for our life and industry, to supplement our own waning national resources in a number of strategic lines, to better balance our chronic excess of exports and to recoup some of the vast amount being advanced to other nations to aid their recovery.

The RTA and the agreements have been so much discussed in terms of obtaining concessions from others that their defensive character has escaped due attention. However, they can be so administered as to check discrimination against American commerce. The whole spirit of the act and the agreements is that of nondiscriminatory multilateral foreign trade.

While some restrictions are being tolerated on the part of other countries in the interest of the recovery effort, these may well become irksome and extremely unfair. About 20 of the agreements now in effect are subject to termination on 6 months' notice by either party; all are terminable in the event of unduly prejudicial results. It is unlikely that any important country would like to be without one of these agreements in case the United States should suggest its termination unless discriminatory practices were terminated.

Of course no act is sacrosanct. The big question is whether the RTA is to remain a reciprocity act in principle or be frustrated.

The amendment proposing extension for only 1 year instead of 2 or 3 as hitherto would keep it under a sword of Damocles and precipitate another renewal struggle next year. The proposed amendment detaching the tariff commission from negotiation but empowering it to set limits on the tariff adjusting power already delegated by Congress to the President, is a far-reaching change. This, with the proposed requirement that any agreement must run the gantlet of a congressional veto within 60 days if the President does not conform to the tariff commission "metes and bounds," is a form of double jeopardy.

So little time remains before June 12 that failure to extend the act for a greater period than 1 year and binding it with crippling amendments would be a shock to the world and accepted as a blazing signal of isolation.

ROBERT H. PATCHIN,  
*Vice President, W. R. Grace & Co., New York.*

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[From the Grace Log, New York, N. Y., May-June 1948]

**THE PROGRESS OF RECIPROCAL TRADE, BY HARRY C. HAWKINS, PROFESSOR OF INTERNATIONAL ECONOMIC RELATIONS, FLETCHER SCHOOL OF LAW AND DIPLOMACY (ADMINISTERED BY TUFTS COLLEGE WITH THE COOPERATION OF HARVARD UNIVERSITY). MR. HAWKINS WAS WITH THE STATE DEPARTMENT FROM 1924 TO 1948. MOST RECENTLY HE HAS BEEN CHIEF OF THE DIVISIONS OF TRADE AGREEMENTS, COMMERCIAL POLICY, AND ECONOMIC COUNSELOR OF THE AMERICAN EMBASSY IN LONDON**

The United States embarked upon a comprehensive program of negotiations for the reduction of barriers to international trade with the enactment of the Trade Agreements Act in 1934. This program was carried forward under difficult con-

ditions. The world was just emerging from the depression, another war was brewing, the tide of trade restrictionism which set in after the First World War had reached a flood stage. Nevertheless, under the inspiration and persistent leadership of the then Secretary of State, Cordell Hull, some 30 agreements were concluded, reducing or binding our own tariffs in return for similar action by other countries.

#### AIMS OF TRADE POLICY

The general objective, of course, was to reduce trade barriers throughout the world and so to promote a larger flow of international trade. There were several specific objectives which would contribute greatly to the accomplishments of this general purpose.

One of these objectives was to eliminate quantitative restrictions, or quotas. The United States sought the elimination of quotas because they constituted a drastic form of government interference with, and regimentation of, private trade. They almost invariably resulted in discrimination to the detriment of one or another of the competing sources of supply. Until the recent important negotiations at Geneva the United States was not in a position to get other parties to negotiations to agree that quotas for protective purposes should be outlawed in principle. But we did succeed, in most agreements, in prohibiting the use of such restrictions on products listed in tariff schedules.

#### STIMULATIONS OF TRADE NEGOTIATIONS AMONG OTHER COUNTRIES

Another important objective was the broadening of the front of attack on trade barriers by inducing other countries to adopt comprehensive programs of negotiations similar to ours.

In our negotiations with any foreign country we ordinarily were not able to bring about a reduction of trade barriers on products which the country concerned normally imported in larger quantities from some other nation, rather than from us. Nevertheless, we had a substantial interest in the trade in a great many such products.

To illustrate: We were interested in the export of wheat but Canada may supply more wheat than we do to country A with which we are negotiating. We would like to have country A reduce its duty on wheat since we, as well as Canada and other suppliers, would benefit from the enlargement of the market. Country A may, however, be bound by the most-favored-nation clause or by considerations of policy to give to Canada unconditionally the benefit of all concessions made to us, without getting from Canada specific concessions in return. In such circumstances there would be a tendency on the part of country A to reserve any concession on wheat against the possibility of eventual negotiations with Canada. Because of this, the United States might not be able to negotiate a concession. If and when A negotiated with Canada we would benefit; such negotiations, however, might never be started. For these reasons, the United States would like to see negotiations between country A and Canada, and between other foreign countries, actually undertaken and consummated.

While our position as a supplier of products which ordinarily would be dealt with in agreements between foreign countries, rather than between foreign countries, and ourselves, is frequently a secondary one, our trade in such products (which would benefit under the most-favored-nation principle) is in the aggregate, substantial.

Of even greater importance than this consideration is the fact that a rising volume of trade between foreign countries, resulting from the reciprocal reduction of barriers to trade, promotes better living standards throughout the world and increased buying power for United States goods of all kinds.

Our only means of causing foreign countries to adopt comprehensive programs of negotiation with each other was normal suasion. Secretary Hull constantly preached the need for a worldwide attack on the trade-barrier problem. But the times were not favorable to the immediate and wide acceptance of such ideas. However, in United States official circles they did take firm root and were later to bear fruit. The ideas continued to be the objective of those responsible for the administration of the Trade Agreements Act after Secretary Hull had left Government service.

#### THE GENEVA AGREEMENT ON TARIFFS AND TRADE

The General Agreement on Tariffs and Trade was concluded at Geneva on October 30, 1947, some 13 years after the adoption of our policy of reciprocal

trade. This agreement is a long step forward in carrying out that policy. It is the result of the most ambitious set of negotiations of its kind ever undertaken. The Geneva Agreement, which is based on the same general principles as the bilateral trade agreements previously concluded by the United States was negotiated by 3 countries. There are 20 schedules of products on which tariffs were reduced or bound, one for each of the parties, and general provisions of a highly important character. The 23 countries had only 20 schedules because Belgium, Luxemburg, and the Netherlands, having formed a customs union, had a schedule in common. The same is true of Syria and Lebanon, which are parties to a customs union.

The importance of the agreement arises largely from the fact that the parties to it include most of the important commercial nations of the world. The participating countries are Australia, Belgium-Luxemburg-Netherlands Customs Union, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, New Zealand, Norway, Pakistan, Southern Rhodesia, Syro-Lebanese Customs Union, Union of South Africa, the United Kingdom, and the United States. These countries account for the major part of all world trade. The products affected by the tariff concessions represent approximately half of the prewar international trade of the entire world.

The Geneva Agreement was put into effect on January 1 of this year by the United States, the United Kingdom, Canada, Australia, France, Belgium, Luxemburg, the Netherlands, and Cuba. The other participating countries are expected to make the agreement effective at an early date. Earlier bilateral trade agreements of the United States which were made with parties to the General Agreement are suspended as soon as the country concerned makes the agreement effective. The Geneva Agreement on tariff and trade, like earlier bilateral agreements, contains a provision whereby a concession may be withdrawn in the event of undue prejudice to any industry or the commerce of either party.

The General Agreement on Tariffs and Trade goes a long way toward accomplishing our policy objectives of the thirties. Quantitative restrictions are outlawed by the Agreement, not only on products on which the parties have made tariff concessions but generally. While there are certain significant exceptions to the rule, the most important of which will be discussed briefly, this provision alone constitutes a notable achievement and one from which the trade of the United States and the world should be in due course derive great benefits.

At Geneva we also were able to broaden the field of action against trade barriers on a substantial front. At that conference, the United States was able, of course, to negotiate directly with the other 22 countries represented. The United States delegation made it clear, however, that the purpose of the conference was not only to afford participating countries an opportunity to negotiate with us; it was made clear that we would have little interest in negotiating with them unless they negotiated with each other. In due course, negotiations between some hundred pairs of countries got under way. Each country consolidated the concessions resulting from all of its negotiations into a single schedule of concessions applicable to imports from all of the others.

#### LIMITATIONS ON THE EFFECTIVENESS OF THE GENEVA AGREEMENT

Important though this agreement is, too much should not be expected immediately. Its value lies more in the future than in the present. The agreement is designed to open up markets, but under present conditions nations generally are more concerned with producing or obtaining needed goods than with problems of finding markets for their production. Also, the benefits of the agreement will be deferred, to a large extent, because of provisions permitting the use of certain restrictions during the period of recovery from the disruption and dislocations of war.

Under the agreement, a country whose foreign exchange earnings are insufficient to cover its import needs and whose foreign exchange reserves are inadequate, is permitted (in effect) to ration its available exchange so as to prevent it from being squandered on non-essentials. The nation must use the limited exchange only to buy needed foods, raw materials, and equipment. This means that until the country in this situation can restore production and exports to an extent that will enable its people to buy whatever they want from abroad, restrictions will be imposed on the importation of many products.

Moreover, under conditions now existing (and likely to continue for several years) it was impossible to provide in the General Agreement that trade restrictions retained or imposed for financial reasons would be applied in a nondiscrim-



inatory manner. The agreement provides, however, that the rule of nondiscrimination will be applied after a transition period.

It is to be expected that by the time supply generally has caught up with demand and competition is again seriously felt, balance-of-payments difficulties will be disappearing. The provisions for the elimination of quantitative restrictions should, therefore, become widely effective at a time when this will be most important for United States trade.

Our belief in the system of private enterprise is reflected in our trade negotiations pursuant to the policy laid down in the Trade Agreements Act of 1934. The agreements negotiated leave the conduct of trade in private hands. In no case do they involve commitments by the United States Government to buy or sell. Nor are there commitments by our Government as to what kinds or qualities of goods will be bought or sold by private traders. The Government merely reduces or limits a duty or other trade barrier and leaves it entirely to private traders to determine whether, and the extent, to which they will take advantage of the opportunities for trade thus provided. The Government does not even know for sure the extent to which traders will elect to take advantage of such opportunities. It can only estimate what the trade results will be.

#### AGREEMENTS WITH GOVERNMENTS IN TRADING OPERATIONS

In trade agreements with countries whose governments are engaged in trading operations our policy has been to offer nothing more than the benefit of cuts in the United States tariff which make it easier for the government trader to deal with private American traders. If the foreign government is engaged in importing a product, we may ask for a commitment as to the quantity that will be purchased. But our Government does not negotiate sales contracts for that amount. The contracts will have to be made by the foreign government trader with United States private traders on whatever terms (if any) our suppliers choose to sell.

In brief, our trade policy is characterized by the fact that it involves not more but less Government interference with business, and that as a result of the agreements negotiated, the hand of the Government rests less heavily on private trading operations.

#### EFFECT OF GENEVA AGREEMENT ON STATE TRADING

The Geneva Agreement does not prohibit state trading. Under present conditions it would have been impossible to negotiate such an agreement with a number of important countries. The aim of the agreement is to lay down rules covering both private-trading systems and state-trading systems so that it is possible for each country to adhere to the system it prefers. But the effect of the provisions governing state-trading operations is to make it more difficult for state-trading countries to limit importations in order to protect domestic production, or to discriminate against particular supplying countries. Consequently the motive and opportunity which a country might otherwise have for resorting to state trading to escape the rules applicable to private-trading countries are materially diminished.

The general agreement, and the policy of reciprocal trade to which it gives effect, also affect the balance between the two rival systems in other ways. With economies disrupted and crippled by war, a state of virtual emergency still exists in many countries. In such emergencies there is always a tendency for government management and control to increase. To the extent that the general agreement and future enlargements of it open up world markets for the production of all countries, emergency economic situations in due course will be relieved, and state intervention, insofar as it springs from seeming necessity, will tend to diminish.

Government intervention in economic affairs is also to an important degree the result of a philosophy as to the way in which human affairs can best be managed—a philosophy which differs radically from our own. To the extent that State intervention is influenced by ideological considerations, the successful working of a trade policy based upon the principle of free enterprise tends to weaken the foundation of the other system. Our trade policy and particularly the General Agreement on Tariffs and Trade afford tangible evidence that the philosophy of less rather than more government interference with private competitive enterprise can be successfully applied in practice, that a policy of reducing tariffs and easing other government restrictions on private competition will be made to work,

that countries which adhere to the philosophy of private competition are prepared to practice what they preach.

EVOLUTIONARY RATHER THAN REVOLUTIONARY PROGRESS

The progress of a public policy of the kind we are now pursuing is not to be judged by the standard of quick results that can be applied to a private business. International commercial policy affects not one business and one trade but all business and all trade. It affects the economic life of nations—and this is highly complex and relatively hard to mold.

The test of our commercial policy must be whether it aims in the right direction and whether the progress along the course marked out is reasonably rapid. The present commercial policy of the United States seems to meet this test. The direction in which it aims seems right. It aims to expand international trade, which is important to our own economic welfare as well as that of the rest of the world. The means employed to this end demonstrate in practice, in a world where a rival idea has been gaining ground, our faith in our philosophy of competitive private enterprise. Our progress in carrying out our policy has been as rapid as possibly could be expected. The negotiation of trade agreements which for a decade persistently plodded along the course marked out by Cordell Hull is now capped by the Geneva Agreement which has carried us forward on that course in a burst of progress.

The Geneva Agreement, however, is only a stage in the evolutionary progress of reciprocal trade. The agreement, it is hoped, will be enlarged as other countries are drawn into it. The plan is that it will serve as a nucleus; its enlargement is the task to which those responsible should devote themselves.

The CHAIRMAN. A number of statements and a telegram were submitted for the record. They will be inserted at this point.

(The statements and telegram referred to follow:)

LOS ANGELES, CALIF., June 2, 1948.

SENATOR EUGENE D. MILLIKIN,

*Chairman, Finance Committee, United States Senate,*

*Washington, D. C.:*

Respectfully request you inform Finance Committee of walnut industry's bitter opposition to extension of present Reciprocal Trade Agreements Act, and our hearty endorsement of H. R. 6556 passed by the House. Please include this telegram in committee record. This association of 9,300 California growers markets 75 percent of American walnut crop and begs the Senate to disregard glittering generalities expounded by State Department bureaucracy and consider realistically the inherent danger in giving President and State Department arbitrary power over economic life of such well-founded industries as ours. Then see how this power has been abused by State Department in its wilful disregard of facts and industry welfare. For example, American walnut industry operates under Federal marketing order to regulate disposal of surpluses in excess of domestic demand and has received Federal aid in form of benefit payments and school-lunch purchases; yet despite these facts and Department of Agriculture advice, the duty on shelled walnuts was cut from 15 to 7½ cents per pound at Geneva. We do not oppose sound tariff adjustment by experts guided by proper standards and safeguards, but we do protest such utterly ridiculous proceedings as these under present act. That is why we plead that you brush aside theory, get down to cases, and put an end to maladministration of a dangerous law by passing H. R. 6556 and devoting year ahead to thorough study and overhauling of tariff policy.

CALIFORNIA WALNUT GROWERS ASSOCIATION,  
W. C. TESCHE, *Secretary.*

STATEMENT IN SUPPORT OF RENEWAL OF TRADE AGREEMENTS ACT OF THE CHAMBER OF COMMERCE OF PITTSBURGH

The Chamber of Commerce of Pittsburgh comprises in its membership manufacturers, merchants, exporters, and importers; rail, sea, and air transportation interests; bankers, insurance underwriters, and others concerned in the promotion and expansion of the Nation's foreign and domestic commerce. In 1926 the chamber board of directors recognized the need for and established its present World Trade Council, the sole duty of which is to promote an interest in inter-

national trade and to serve as an advisory group for those engaged in the international exchange of goods and services.

Recommendations by the legislative committee for the World Trade Council to the chamber board of directors, resulted in this organization going on record favoring a 3-year extension of the Reciprocal Trade Agreements Act as written. We favor the principle of expanding world markets through reciprocal reductions in trade barriers achieved under the Trade Agreements Act of 1934 and the subsequent amendments which have been of great benefit to the economy of this country.

Such statistical and other evidence as is available indicates that the trade agreements were a definite influence in increasing both the export and import trade of this Nation. United States foreign trade statistics show that exports from the United States to trade-agreement countries increased from 1934-35 to 1938-39 by 62.8 percent as compared with 31.7 percent for nonagreement countries, while imports during the same period from trade-agreement countries increased by 21.6 percent as against 12.5 percent for nonagreement countries. The increase of both exports to and imports from the trade-agreement countries was approximately double that for nonagreement countries.

The dire need of many foreign countries for United States economic assistance is being met in considerable part by the foreign-aids program recently adopted by this country. These countries depend primarily on the exports of their own goods and services to provide them with the necessary exchange with which to buy needed capital goods, raw materials, and foodstuffs from abroad. Their ability to export the volume of goods and services necessary to enable them to meet their requirements from abroad will to a large extent depend upon whether tariff rates and other trade barriers can be reduced to the level which will permit the required volume of exports. The amount of economic assistance which the United States will have to furnish to countries participating in the aid programs of this country will in turn depend upon the extent to which such countries can meet their own requirements for foreign products by increasing their sales abroad. It is, therefore, vitally important to the United States that its reciprocal-trade program be vigorously applied so as to help reduce the barriers to the expanding volume of exports which the economics of the aid-receiving countries so urgently require.

Such expansion in the exports of the aid-receiving countries is also necessary if these countries are to repay the United States for the loans and credits which it has extended to them in the past and contemplates extending to them under the aid programs. In order to make sure that it will be able to keep to a minimum the aid which it will have to provide in the form of grants and to obtain payment for that which is supplied in the form of loans and credits, the United States should reduce its own tariff rates to the minimum required for protection of efficient American producers.

After the present transition period during which countries participating in these agreements and in the foreign-aid programs of the United States are helped back to a condition of economic health, foreign demand for the excess production of the United States, particularly its capital goods, may be expected to decline. When that time arrives, the United States will have need for every device which may be useful in enabling this country to hold and enlarge its foreign markets. The reciprocal-trade agreements should then be very useful in helping the United States not only to retain as much as possible of its foreign markets for capital goods but to develop and expand outlets abroad for other American products, both of industry and agriculture.

The Chamber of Commerce of Pittsburgh, therefore, strongly urges the renewal of the Trade Agreements Act substantially in its present form for a further period of 3 years.

Respectfully submitted,

J. K. B. HARE,  
*President, The Chamber of Commerce of Pittsburgh.*

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STATEMENT ON RECIPROCAL TRADE AGREEMENTS BY THE COUNCIL FOR SOCIAL ACTION, CONGREGATIONAL CHRISTIAN CHURCHES, SUBMITTED BY THOMAS B. KEEHN, LEGISLATIVE SECRETARY, WASHINGTON 6, D. C.

The Council for Social Action of the Congregational Christian Churches wishes to express its deep concern for the renewal of the Reciprocal Trade Agreements Act which expires on June 12, 1948.

The General Council of our denomination has requested us to work for "international economic and trade relationships which will further world commerce and reduce barriers to the exchange of goods." This position reflects the conviction of our people that American interests and resources must be related to the common needs and interests of mankind.

As we give our hearty endorsement to the principle of reciprocal trade agreements, we note how urgent is the renewal of such legislation at this time. The Economic Cooperation Act, which was passed by Congress in March, requires of the participating European nations that they cooperate among themselves and with the United States "to reduce barriers to trade among themselves and with other countries." We, therefore, do not see how our Congress can with consistency repudiate the policy and the spirit of the European Recovery Program by failing to renew the Reciprocal Trade Act. We also believe it will be futile for the United States to attempt to convince the Latin American countries of the need for liberalizing the international exchange of goods and capital unless we, ourselves, are willing to encourage imports on a nondiscriminatory basis.

We earnestly hope, therefore, that the Senate Finance Committee will promptly approve H. J. Res. 334, which extends the Reciprocal Trade Agreements Act for 3 years from June 12, 1948.

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STATEMENT ADVOCATING RENEWAL OF THE RECIPROCAL TRADE AGREEMENTS ACT BY H. J. HEINZ II, PRESIDENT, H. J. HEINZ CO., AND CHAIRMAN, UNITED STATES ASSOCIATES OF THE INTERNATIONAL CHAMBER OF COMMERCE

Mr. Chairman and gentlemen, despite the fact that we are met today in closed hearings, your recommendations in regard to the renewal of the reciprocal trade agreements will make front-page news wherever people read. Interest in your work is at least as great in Moscow, London, Paris, and Chungking as it is in Washington.

I head a company which operates plants on three continents and does business in almost every country in the world. In the past 3 years, that business has taken me to Canada, England, the European Continent, South Africa, and Australia. I think I have had perhaps a better than average opportunity to form an opinion of our commercial relations with the rest of the world.

To my mind, the economic and the political stability of the world will rest to a large extent for some years on a delicately balanced tripod. At present, the legs of that tripod are the International Bank and Monetary Fund, the European relief program, and the reciprocal trade agreements. If we eliminate or shorten any of these legs, world political and economic stability may topple.

As a member of the Republican Party I am proud of the record of statesmanship in international affairs which this Congress has made. I hope that record finally will contain at least one more chapter of accomplishment before adjournment—the renewal of the reciprocal trade agreements act.

I believe that the reciprocal trade program should be extended for at least 3 years for these reasons:

1. The ultimate success of the European recovery program depends on renewal.
2. Our prestige throughout the world depends on renewal.
3. Our efforts to contain communism will be aided by renewal.
4. Continuing domestic prosperity requires renewal.

1: *The ultimate success of the European recovery program depends on renewal.*—Only recently Congress thoroughly debated the merits of ERP. After exhaustive study you agreed that the economic rehabilitation of Europe is necessary for world peace and world trade. Passage of the Foreign Assistance Act of 1948 is ample evidence of Congress' and this country's conviction that revived trade is essential to the welfare and best interests of the United States.

Congress insisted on certain quid pro quos. Europe must help herself. To receive aid during the full life of ERP, it was understood that the recipient countries would step up their production goals to an extent that rivaled our own efforts under the stimulus of war. You required as one of the conditions that the recipient nations "cooperate with other participating countries in facilitating and stimulating an increasing interchange of goods and services among participating countries and with other countries as well." You also demanded that these countries "cooperate to reduce barriers to trade among themselves and with other countries." We must remember the United States is a participating country.

If we attempt to emasculate or fail to renew the Trade Agreements Act, can we demand a wholehearted effort by other countries? To do either would be to retard seriously the development of trade and would indicate at the very least a real reluctance on the part of the United States to do the same things which we tell others that they must do. If we expect them to rebuild their economies, we must provide opportunity for them to sell goods and services abroad.

2. *Our prestige throughout the world depends on renewal.*—In the Orient, men and nations are concerned about "face." Our faces are going to be very red, our world prestige is going to fade, if we in this period of world economic crisis appear to sanction any retreat to economic isolationism. Even the slightest retreat will be interpreted in some quarters as a major rout.

If we could choose to let our prestige wane and at the same time choose to abdicate our position of world leadership, we might permit the reciprocal trade program to lapse. However, we have no such choice. We cannot abdicate.

In 1945, our Government issued the proposals for expansion of world trade and employment. Out of this grew the London, Geneva, and Habana conferences. Wherever I have gone abroad businessmen have greeted these moves of ours plus our support of reciprocal trade agreements as evidence that the United States is going to assume its full responsibility of world economic leadership.

In the years between two world wars, commodity agreements, cartels, bilateral agreements, and blocked currencies helped to divide the world into groups of economically warring nations. However, during the past few years progress has been made by many nations towards reducing and eliminating such artificial obstacles to world trade. But most nations are still a bit uneasy. Any material change in the Reciprocal Trade Act as it now stands would be viewed correctly by the whole world as evidence of inconsistency and vacillation on our part at a time when the constancy of American purpose is the hope of the entire world—at least that part of the world which is allowed to hope.

3. *Our effort to contain communism will be aided by renewal.*—If I were to list the major objectives of world communism, I would put high on that list the forced withdrawal of the United States from world trade. Recent economic history indicates that when foreign trade is at high levels the trading nations enjoy greater economic stability.

World markets need American goods and this demand helps to maintain our production and will increase their productivity unless—

- (a) Our prices rise to a point where purchases cannot be made, or—
- (b) We do not permit our customers to create dollar exchange with which to purchase our goods.

Communism does not flourish nor does it have much of a popular appeal when economic conditions are prosperous and stable. Even if we wanted to—and we don't—the United States could never attempt to be the lone rich nation in an international slum.

4. *Continuing domestic prosperity requires renewal.*—We must recognize that we have not had a truly sound world trade since before World War I. In the twenties our foreign trade was financed by loans which were never repaid. In the thirties our trade was financed by the import of gold which we promptly buried. This reduced the gold reserve of our customers and contributed materially to their economic instability. In the forties our foreign trade has been primarily financed by Government subsidies much of which will never be repaid.

Obviously none of these three methods of financing has provided a healthy, dynamic world trade. Extension of reciprocal trade agreements will assist in correcting trade imbalance.

Our present prosperity is synthetic unless our present export business is replaced by exports which are paid for in dollars which other nations get by selling to us. We have half the world's productive capacity and we are going to need foreign markets if we are to keep that productive capacity at work.

Full employment is now rated at about 60 million jobs and 600,000 new people are coming into the labor market each year. If they are going to have jobs, we must export. Our foreign trade accounts for somewhere between 5 and 10 million jobs and that can be the difference between good and bad times. If we need to export to prosper, so do other nations, and renewal of the Trade Agreements Act is an assurance that the United States will not exclude their goods.

Currently the importation of goods which reciprocal trade encourages is anti-inflationary, because it increases the total supply of available commodities. It increases business in the distributive trades; it lowers the cost of many manufactured items by providing scarce but essential components.

In the food industry many products would not even be processed were it not for imported materials. Many people forget that before the war the United States was the largest net importer of food in the world.

The principal question is not what we export—for seemingly there is no present limit to the demand for American-made goods—but what we will import. We cannot limit our imports to those commodities which cannot be produced in this country but must import larger volumes of goods which will compete with American-made products. This need not be disastrous as some might allege.

Skilled American workmen, competent management, adequate financing, and modern American equipment will permit our producers to compete with foreign imports. There is ample evidence that the American per unit cost compares favorably with unit cost of foreign producers despite the disparity between wage rates.

In recommending renewal of reciprocal trade agreements for 3 years, I do not wish to indicate in any way that Congress should lose any of its rightful control over this country's destiny. It should have the power to review the law at the end of 3 years. The determination of our trade policy remains with Congress. The existing machinery for hearing, reviewing, recommending, and bargaining, plus the escape clause, is in my opinion adequate to execute such policy.

Any shorter period than 3 years would indicate an uncertainty in the United States policy which would discourage other nations in planning their trade policies. Negotiation of trade agreements is a lengthy process. As a practical measure, it would be extremely difficult to either negotiate new agreements or renegotiate old agreements if the present reciprocal trade program is extended for a period shorter than 3 years.

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REPORT ON EXTENSION OF THE RECIPROCAL TRADE AGREEMENTS ACT BY THE  
COMMITTEE ON COMMERCIAL POLICY UNITED STATES ASSOCIATES

WHITE & CASE  
New York 5, N. Y., April 6, 1948.

Mr. H. J. HEINZ II,  
Chairman, United States Associates,  
New York 22, N. Y.

DEAR MR. HEINZ: There is transmitted herewith a report prepared by the Committee on Commercial Policy upon "The extension of the Reciprocal Trade Agreements Act"

The report discloses the members of the Committee who participated in its consideration.

The Committee feels strongly that the Reciprocal Trade Agreements Act, heretofore approved by this organization, should be extended for a period of not less than 3 years.

The proper fulfillment of the foreign economic policy of this country requires that it give wholehearted support to this extension. The enactment of the European recovery program law lends emphasis to the need for such action.

Respectfully submitted.

Yours sincerely,

JOSEPH M. HARTFIELD,  
Chairman, Committee on Commercial Policy United States Associates.

COMMITTEE ON COMMERCIAL POLICY

Chairman: Col. Joseph M. Hartfield, White and Case, 14 Wall Street, New York, N. Y.

Members: John Abbink, President, McGraw-Hill International Corp., New York, N. Y.; W. Rogers Herod, president, International General Electric Co., Inc., New York, N. Y.; Kenneth Parker, president, Parker Pen Co., Janesville, Wis.; William M. Robbins, vice president, General Foods Corp., New York, N. Y.; Murray Shields, vice president, Bank of the Manhattan Co., New York, N. Y.; Theodore Smith, Motion Pictures Association of America, New York, N. Y.; Christian H. Sonne, president, Amsinck, Sonne & Co., New York, N. Y.; Alan Valentine, president, University of Rochester, Rochester, N. Y.; W. H. Wheeler, Jr., president, Piney-Bowes, Inc., Stamford, Conn.

Rapporteur: Dr. Richard G. Gettell, Assistant to publisher, Fortune Magazine, New York, N. Y.

## SUMMARY OF REPORT OF COMMITTEE ON COMMERCIAL POLICY

Complementary elements of the foreign economic policy of the United States are the European recovery program, the establishment of an International Trade Organization and the reciprocal trade agreements program. Each strengthens and reinforces the other.

In this report the United States Associates urge the extension of the Reciprocal Trade Agreements Act for a period of not less than 3 years. Such an extension—

1. Will facilitate the eventual flow of payments for United States exports which under the European recovery program this nation is obliged temporarily to finance.

2. Will further demonstrate the good faith of the United States in its proposals for the reduction of trade barriers through the instrumentality of the International Trade Organization.

3. Will enable the United States to continue to press for fuller and freer international trade by negotiating mutual concessions with other friendly nations that are willing to reciprocate.

*Extension of the Reciprocal Trade Agreements Act*

The United States Associates urge the extension of the Reciprocal Trade Agreements Act for a period of not less than 3 years. We consider this essential to the proper fulfillment of our foreign economic policy.

The latest reports of this committee have dealt with the progress of the negotiations toward the formation of an International Trade Organization of the United Nations (ITO), with particular emphasis on the commercial policy provisions of the Charter. Our broader aim, of course, has been to favor and foster all such programs and policies as would operate in the direction of freeing and enlarging the volume of world trade. Until recently, however, the proposed ITO has been the most immediate vehicle for the attainment of this end, and as such has demanded our specific attention.

Events in the months just past and directly ahead require that we extend the scope of our activity. We must consider three developments, each of which has an important bearing on the attainment of our central purpose.

(A) The unfolding and implementation of the European recovery program<sup>1</sup> (ERP).

(B) The continued negotiations for the establishment of an International Trade Organization (ITO).

(C) The forthcoming expiration of the Reciprocal Trade Agreements Act of 1945 (RTA).

This report is addressed primarily to the third of these three developments. But in stating our policy regarding the reciprocal trade agreements program, we cannot disassociate it in our thinking from the larger issues involved in the ERP and the ITO.

In the immediate future the problem of prime importance is the success of the ERP. As a requisite to that success, the committee hopes that the countries of Europe will reduce trade barriers among themselves and the world. The European recovery program legislation requires it. In view of the passage of that legislation, the United States cannot properly ask for European adherence to such a policy if it refuses to carry out that same policy through failure to expand the Reciprocal Trade Agreements Act. Normal world trade among free nations is an insubstantial dream until the European economies are rebuilt and reasonable political stability is attained. Though the ERP sets no pattern for international commerce, it is a prerequisite to the eventual revival of sound world trade.

Of lesser significance until the purposes of the ERP have been accomplished, but of great ultimate importance, is the establishment of a workable structure within which the nations of the world can freely and peacefully exchange their goods and services to the mutual advantage of all. Such a pattern of international trade was envisaged in the original United States proposals for the creation of an International Trade Organization.

As our earlier reports have indicated, we endorse the general principles underlying these proposals, but have had serious misgivings as successive pre-

<sup>1</sup> The policy of the United States Associates regarding the European recovery program has been stated in Report on the European Recovery Program, prepared by the Committee on Europe, United States Associates, March 16, 1948.

liminary conferences have diluted and compromised their purposes. The final judgment of the United States Associates as to the ITO Charter must be reserved until the results of the Havana conference have been studied. In any event our faith in the general principles towards which the ITO was originally directed will remain unchanged. And we shall continue to support all measures of our foreign policy which are designed for the expansion of mutually advantageous trade among nations.

Central to the foreign economic policy of the United States is the reciprocal trade agreement program. Since the passage of the first Reciprocal Trade Agreements Act in 1934, the Congress has continued to empower the President to offer limited tariff concessions to other nations that would reciprocate. Agreements made bilaterally were automatically extended to other countries under the operation of a "most-favored-nation clause." Prior to 1945 such reciprocal reductions of trade barriers were negotiated with twenty-nine other nations. As extended in 1945, the Reciprocal Trade Agreements Act permitted up to a second 50 percent reduction in our tariffs to be negotiated with countries willing to make equivalent concessions. It was under this extension, and as a counterpart to the ITO negotiations, that the Interim Tariff Committee at Geneva recently negotiated 106 separate bilateral trade agreements to reduce the barriers to trade among the United States, the United Kingdom, Canada, Australia, France, Belgium, the Netherlands, Luxembourg, Brazil, Chile, China, Cuba, Czechoslovakia, India and Pakistan, the customs union of Lebanon and Syria, New Zealand, Norway, and the Union of South Africa, Burma, Ceylon, and Southern Rhodesia. Many of these agreements have been in effect since January 1948. The remainder become effective after the participating countries sign the necessary Protocol.

This is a significant achievement, particularly since it has been accomplished at a time when most of the nations involved are necessarily more concerned with their immediate problems of rehabilitation than with the longer range goals of proper trade relationships in the more distant future. It offers real hope for that future. It relieves some of the current pressures which aggravate the immediate problem.

It ought to be unnecessary at this late date to dwell on the obvious advantages of lowering the barriers to world trade—the increase in real incomes in all nations which stems from freeing and extending the volume of trade among them. It is axiomatic that when several nations exchange their goods and services on mutually advantageous terms, the standard of living of each nation is thereby raised. However it is particularly relevant to the immediate future that, even though it may be temporarily necessary to finance much of the rest of the world through the ERP, programs be developed which will relieve our taxpayers from financing our exports indefinitely. In the long run the only sound way for foreign nations to obtain dollars to buy our exports is from the sale of their exports. Until Europe is rebuilt, our program to finance our own exports represents a drain on our consumption.

The interests of business, labor, and the consumer cannot be separated on this issue. American citizens, on balance, find themselves the beneficiaries of the policy represented by the reciprocal trade agreements program—whether they are exporters or importers and have a commercial interest in extending the volume of trade; whether they are employees and wage earners in an economy which can be expanded by an enlargement in the areas of trade; or whether they are consumers who know they can live more richly, have a wider choice, and buy more for their dollars in a free world economy.

If the major trading nations of the world subscribe to the ITO Charter, it is clear that we must extend the reciprocal trade agreements program. Otherwise we cannot join the ITO in good faith nor can we fulfill our responsibilities under the Charter. The ITO Charter establishes machinery for the continued negotiation among its members for the reciprocal lowering of trade barriers to the mutual advantage of all, and obligates its members to put this machinery to use.

On the other hand, if the ITO fails to come into being, if the domestic problems of other nations make it premature for them to enter wholeheartedly into this international effort, then we feel that it is equally imperative for us to continue our reciprocal trade agreements program. More than ever would the United States have the responsibility, as the major economically solvent nation of the world, to take the lead in promoting sound policies of international trade,



and to express its readiness to make bilateral concessions to such other nations as are prepared to reciprocate.

Accordingly we urge most strongly that when, in the coming weeks, the Reciprocal Trade Agreements Act approaches its expiration date it be renewed as an integral part of the fabric of our economic policy.

In our judgment, extension of the act for a single year would be inadequate and unwise. We recommend that it be extended for a period of not less than three years. Only then would it facilitate long-range business planning and establish the firmness of our intentions regarding the pattern of future trade with the rest of the world.

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BRIEF FOR EXTENSION OF UNMODIFIED RECIPROCAL TRADE AGREEMENTS  
BY PEOPLE'S LOBBY INC., BENJAMIN C. MARSH, EXECUTIVE SECRETARY

The basic, but seldom expressed reason for opposition to the 3-year extension of the reciprocal trade agreements, is that these agreements recognize faintly, the fact America must use her prodigious and increasing capacity to produce, to meet demands for higher living standards throughout the world, even without immediate financial returns to America.

It is not an accident that simultaneously with the opposition to such extension, a vigorous campaign is being waged for vast armaments and air forces, and a large army.

The proponents of the supreme waste of armaments know their program is an alternative to dispensing some of our present and potential peace production to peoples who cannot pay for it. The war-scare conditions the American people to higher taxes more easily than an appeal to help the victims of a plundered planet, and blinds them to the unadulterated folly of substituting bullets for bread.

Trade cannot, in the future, be directed merely to maintaining maximum profits for the owners of America's 48 corporations with assets of 1 to over 8 billion dollars, and of the half of the Nation's farms which produce 85 percent or more of total farm production.

Trade must be directed to the specific purpose of fostering world welfare, including of course the welfare of America's producers and consumers.

Over 4 years ago, in January 1944, the United States Department of Agriculture Committee on Postwar Policies stated that after the war farm production in the United States must be directed by government with due regard for probable exports and desirable imports. The same standard must be adapted for all production here, for the alternative is major nations armed to the teeth in an alarmed truce, and small nations constrained to determine in what alliance there is least insecurity for them, a condition which must lead to general conflict if not war.

Acceptance of America's role to help the world by producing for it, instead of ruining it by an armaments race, has another threat to special privileges here.

It will compel the reduction of costs of production by getting a fair valuation of corporations and other business enterprises, the reduction of inflated selling prices of land—city and farm—and adoption of more efficient methods of production and distribution.

It involves much more government controls, including major price fixing and rationing, and also a large degree of public ownership of natural resources, and other natural monopolies.

Our temporary boom is largely due to the fact that millions of families are spending part, or much of their war savings. The Federal Reserve Board has just reported that although consumer income, as a whole, was about 10 percent larger in 1947 than in 1946, large numbers of families in the \$3,000 to \$5,000 income class overspent income in 1947, while in 1946 this was largely confined to those with incomes under \$3,000.

About 3,000,000 more families or individuals completely cashed out their holdings of savings bonds.

The export surplus fell to about one-half the rate in the last quarter of 1947, in the first quarter of 1948, from a rate of 8.2 billion dollars to 4.2 billion dollars.

Congress can help the American economy and the American people, by stopping inflation, not by interfering with the administration of reciprocal trade agreements, nor by interfering with imperative world reconstruction, by threatening the abrogation thereof, through imposing a 1-year limit thereon, and administrative handcuffs.

Not even greed for large campaign contributions, justifies Congress in rocking the world boat by semiscuttling of the reciprocal trade agreements.

STATEMENT OF JOHN B. TREVOR, PRESIDENT, AMERICAN COALITION ON RECIPROCAL TRADE AGREEMENTS SUBMITTED TO THE SENATE FINANCE COMMITTEE

Under the Reciprocal Trade Agreements Act of 1934, the President was given the power to cut the tariff rates on imports, provided for in the Hawley-Smoot Act of 1930, by an amount up to 50 percent. The Doughton bill sponsored by the administration in 1945 enlarged this power by conferring upon the President authorization to cut all tariff rates, effective on January 1, 1945, by an additional amount up to 50 percent, if, in his judgment, he deems such action expedient.

The theory upon which the Reciprocal Trade Agreements Act is based is wholly at variance with the policy which brought about the evolution of the United States from a nation primarily devoted to the production of food stuffs and raw materials into the greatest industrial nation of the world. That is to say, it was a policy which has made it possible for the United States to produce, on an unprecedented scale, the guns, tanks, and other mechanical equipment essential to the winning of the war. Conversely, the policy underlying the Reciprocal Trade Agreements Act, if it had been pursued in the past to its logical conclusion, would have left us helpless before the armed might of Germany and Japan.

It should be, of course, obvious from current events that an era of eternal peace is a figment of the imagination. Therefore, any policy which fails to take into account the possibility that the United States may be involved in another war is utterly indefensible. As a matter of fact the policy pursued by the present Administration in loaning the taxpayers' money to foreign countries for the development of industrial projects to compete with American industry is likewise indefensible. It is even more indefensible when we take into account that we are now, through the Economic Recovery Program engaged in paying for the deficiencies and inefficiencies of the socialist regimes of western Europe, which are, and will be in the future, industrial competitors of free enterprise in the United States.

FINANCING FOREIGN COMPETITION

Indeed, as a prelude to the ERP, the New Deal went so far as to promote the development of a steel industry in Brazil, which must inevitably destroy the market for American steel products on the whole continent of South America, by reason of not only the cheap sources of supply for raw material, but also because of the large supply of cheap labor. What we have done in Brazil is, of course, insignificant, bad as it is, compared to what we may reasonably expect as the fruits of ERP. To what we have done, or perhaps it should be said, what we are about to do through ERP, and our previous action in developing the Brazilian steel industry as a threat to our export market and our domestic industry, must be coupled Mr. Wallace's theory, which unfortunately is held by others, that our synthetic-rubber production should be curtailed so as to supply a market for the major part of the natural product exported by Malaya, Sumatra, and Ceylon. In spite of our production of synthetic rubber, there will be unquestionably a market for some natural rubber in the United States. The reason for this prospective demand lies in the fact that it appears to be essential to mix natural rubber with synthetic in order to produce tires of the best quality. This limited demand, however, fails to satisfy those among us whose test of civic virtue is that a good American should love another country, perhaps all other countries, better than his own. As a matter of fact, a stronger case can be made out for the encouragement of production of natural rubber in Brazil, but, even so, our experience in this war demonstrates beyond dispute, that the United States must now, and forever, be independent of foreign sources for our supply of rubber.

To sum up this phase of the argument from the standpoint of national defense, any essential industry, regardless of the fact that it may be producing on a less efficient basis than the corresponding industry in a foreign nation, must be maintained upon a basis of effective and continuous operation. This applies to the growing of hemp and the production of optical glass, industries which

owe their existence now to the necessities of war. Obviously, the production of these commodities demands the maintenance of an adequate price. It is to be expected that in order to assure an adequate return to labor and capital, it will be necessary to impose tariffs on imports of such items at a sufficient rate to take care of the differential cost of production.

#### DOMESTIC UNEMPLOYMENT UNDER RECIPROCAL TRADE

From a purely economic standpoint, it would be difficult to find a poorer time to lower protective duties on imports as this policy threatens the continued existence of marginal industries, to which we must look for the continued employment of our own people, if economic stability is to be maintained in the United States. In this connection it must not be forgotten that up to the outbreak of war, despite the existence of reciprocal trade agreements and their alleged benefits, 10,000,000 people, more or less, were unemployed. On this basis alone, the theoretical benefits of the reciprocal trade agreements policy are utterly vitiated.

Furthermore, it is demonstrable that the reciprocal trade tariffs would have brought about the complete destruction of some American industries, had these industries not been saved by artificial protection resulting from the war having dried up foreign sources of supply.

#### INEPT BARGAINING BY STATE DEPARTMENT

As an illustration of the practical operation of the Reciprocal Trade Agreements Act, consideration should be given to the following statement of facts in a letter to the editor of the New York Sun, published in the April 28, 1945, issue of that paper:

"Our State Department negotiated a trade agreement with France in 1936, after the French Government had raised its tariffs, avowedly for bargaining purposes, and despite the fact that Mr. Hull stated he would not trade under such circumstances. The net result of this shrewd Yankee trading was an honest reduction in American duties of 85 items and actual increases in thousands of French duties.

"The American duty on laces was one of those reduced under the treaty. By 1939 the imports from France of one of the lace items, our duty on which was reduced, had increased from 5,000 pounds in 1934, the year the Trade Agreements Act became law, to 248,000 pounds in 1938, and to 300,000 pounds in 1939. The French press and the United States Consul in the lace-making center of France attributed, unequivocally, this 6,000-percent increase in lace exports to America to the Franco-American treaty.

"The American lace industry in 1938 found its employment at 34 percent of that in 1935, the last year before the French treaty. That meant two-thirds of our workers were out of jobs while the demand for their product was tremendous but being supplied by French workers. By 1935, 5 American lace mills were forced to close, and 45 other mills were in a precarious financial condition. The State Department refused to act, despite evidence of injury so preponderant as to deny even the most meager refutation.

"Our workers abandoned by our Government were saved, ironically, by our enemy's bringing about the fall of France."

How in the light of the facts set forth above, it was possible for Mr. Clayton, Assistant Secretary of State, to assert before the Committee on Ways and Means of the House of Representatives that "the 11 years' experience under the present law has shown that no injury has been done because of it" is beyond the comprehension of the unofficial mind.

#### FOREIGNERS HAD THE MONEY TO BUY—BUT DIDN'T

There is another phase of this question to which insufficient thought was given by Congress at the time the reciprocal trade agreements policy was thrust upon it by the Roosevelt administration. The basic argument of the proponents of this legislation was that because the United States was a creditor nation, this policy was necessary in order to build up our international trade. The fundamental fallacy in this argument lies in the assumption that because we increase our imports, our exports will automatically rise also. This assumption completely ignores the fact that the resources accruing to any nation exporting its goods to the United States may be diverted into investment channels.

rather than apply to the purchase of American goods in the American market for export. This fact is demonstrable that in the peace years, 1934 to 1938, inclusive, our excess of exports over imports totaled only \$2,145,000,000; whereas during that same period the United States international investment position on private account showed a decline from a net creditor position of \$8,700,000,000 to \$3,100,000,000, a decline of \$5,600,000,000. That decline is \$3,455,000,000 greater than our favorable export balance, indicating that there were ample funds for additional purchases of exports if foreign nations had chosen to utilize their credits for this purpose. (Economic Almanac, 1948, published by Conference Board, p. 371.)

#### BRITISH IMPORTS NO STIMULUS TO EXPORT

If any further proof is needed of the absurdity of the arguments offered by the proponents of the Reciprocal Trade Agreements policy, it can be found in a study of the British experience with foreign trade. It is notorious that Britain over a period of many years has maintained an adverse trade balance without developing a compensatory flow of exports. It has thus been demonstrated that foreign nations during the years of peace, 1934 to 1938, had the means to make purchases in the American market had they deemed it expedient to do so; also, that the making of concessions with regard to imports did not automatically stimulate the purchase of exports.

#### REGIONAL SPECIALIZATION OF DECLINING IMPORTANCE

The chief argument in behalf of the Reciprocal Trade Agreements is based upon the theory of regional specialization; that is to say, there are some parts of the world in which it is peculiarly advantageous to produce certain commodities. It is upon this theory that Mr. Wallace justified his argument that we should buy our rubber in Malaya instead of producing it in the United States. However, what Mr. Wallace and others who hold his viewpoint fail to recognize is the fact that modern engineering processes have completely destroyed the theory of regional specialization, except insofar as it applies to minerals, and, possibly, certain vegetable products, for which no synthetic substitutes are available.

#### LOW WAGES MAKE LOW PRICES

The truth is that regional specialization today is largely a question of difference in standards of living. Conclusive evidence of the fact that labor operating under the American standard of living cannot compete with labor living under what we regard as substandard conditions, is to be found in the experiences of our textile manufacturers who discovered that, prior to the outbreak of the present war, they were being undersold by their Japanese competitors in every market of the world.

#### AMERICAN INDUSTRY HAMPERED TO BENEFIT FOREIGNERS

It is a curious fact that the fallacy of regional specialization has so persisted in certain governmental circles that there has been definite opposition to the development of any substitute in the United States for commodities imported from abroad. Take for example, the development of the production of paper from southern pine as a result of the financial support of the Chemical Foundation. When this process was perfected, a paper of a quality comparable to that formerly imported was produced from southern pine at a lower cost than the foreign competitive article. In the development of the production of paper from southern pine, Mr. Francis P. Garvan, the president of the Chemical Foundation, claimed that he met nothing but opposition from the Government. Here is what Mr. Garvan had to say on May 22, 1937, in the course of an address to the National Farm Chemurgic Council:

"But why did our own Government oppose this pine paper development? Will anyone answer me that? Why would any loyal proper-thinking American oppose this development? Was there anything criminal about it? And yet, from the first moment, this present administration has opposed this development bitterly. At whose behest?"

"You know the Mordecai Ezekiel letter, and he is supposed to be the economic adviser of the Secretary of Agriculture.

"Would an economic adviser advise against this on the ground that we must continue to import newsprint? To whose interest is it that we must continue to

import? That we must continue to import so other countries would have something to pay for our exports? At the same time, we were importing \$4,000,000,000 of their gold. Why wouldn't that gold buy some exports? Have you seen an old shirt or a peck of potatoes or a pound of cotton that that \$4,000,000,000 of foreign gold and the \$4,000,000,000 of currency we issued for it has bought?

"For whose good was it that America should not be allowed to develop its own newsprint supply?"

There is almost a sinister implication in the fact that in the development of hemp production in the Middle West, made necessary through the fact that we were cut off from all normal sources of supply as a result of military operations, arrangements were made for the complete liquidation of this new industry at the conclusion of a period of 5 years.

There is no question as to our ability to produce hemp in the United States, yet, in carrying out the development of this new product, control of the machinery necessary for its production was retained by the Government. Every possible effort seems to have been made to terminate the production of hemp within a limited period and make the United States once more dependent on foreign sources of supply.

It is a matter of common knowledge that for many years preceding the war, the United States has suffered from an over-production of certain of its agricultural products, therefore, it is incomprehensible that this new crop which would be a great asset for the American farmer, and grown on 240,000 acres of American soil, should be abolished out of consideration for the cheap labor of tropical lands in the Far East.

#### CONCESSIONS ARE MADE IN PROTECTION OF VULNERABLE, NOT STRONG, INDUSTRIES

It is contended by the sponsors of this program that even though American wage scales are higher, our unit costs of production are lower. In certain industries this is undoubtedly true. Such industries, of course, need no protection, and, therefore, no tariff concession is of any value because the American manufacturer can undersell the foreign producer. Obviously, in the negotiation of Reciprocal Trade Agreements every foreign nation will seek to secure a concession in tariff rates on products which they can manufacture at a lower cost than their American competitors.

#### VOCATIONAL MOBILITY THEORY IS CRUEL TO LABOR

It is assumed by the theorists who seek to mold our economic policies, that there is sufficient vocational mobility to absorb labor now employed in industries doomed to extinction, under the Reciprocal Trade Agreements program. The cruelty of this economic process is sufficient to condemn it. In England, the coal miners employed in a dying industry could not, and would not, be moved from the pits which no longer afforded a living wage. Starvation reigned for 10 years. Skill in special crafts is not attained overnight. The highly trained English miner is losing his vocation because of the exhaustion of the mines in which he worked. Our skilled American worker, however, it appears is to lose his job by an act of Congress unless the Reciprocal Trade Agreements program is abolished.

#### TOTALITARIAN TRADE ALWAYS PROTECTED DESPITE "CONCESSIONS"

What the sponsors of the Reciprocal Trade Agreements forget, or choose to ignore, is the fact that in dealing with a totalitarian regime any concession in their tariff is meaningless, because the State is regulating purchases from abroad on a basis which may in effect amount to total protection of their domestic industries. They may even, and undoubtedly will, place their orders for foreign goods in countries which they wish to favor for political rather than for economic considerations.

#### DEPRESSIONS MORE SEVERE UNDER RECIPROCAL TRADE

A study of developments in world trade indicates that there is a very definite trend among all foreign nations to make themselves industrially self-sufficient. The advocates of Reciprocal Trade Agreements are pressing upon Congress the adoption of a policy which will encourage these foreign countries to expand this trend; that is to say, they are facilitating the purchase of producers' goods at

the expense of our consumers' goods industries. The danger of this program to the economic well being of the United States is indicated by the fact that producers' goods industries are much more vulnerable to business depressions than consumers' goods industries. For example, in 1932, which was the depth of the great depression, it will be found that producers' goods industries fell to an index number of 54, as against an index number of 72, for consumers' goods. (Economic Almanac 1943-44, published by Conference Board, p. 90.)

This stimulation of producers' goods industries is really a most unhealthy condition because of the ephemeral nature of the demand. Once a factory for the production of consumers' goods is built in a foreign country, the demand for our machinery ceases, but under the concessions in our tariff rates which we have granted, or may grant, to consumers' goods, we have opened our markets to a perpetual flow of foreign products.

It is particularly unfortunate that the chief burden of this policy falls upon the small businesses of the United States. Pushed to its logical conclusion, this policy will tend to destroy all but the strongest industrial corporations and result ultimately in the development of a socialistic economy in the United States.

#### SUBSIDIES POOR SUBSTITUTE FOR TARIFF

One of the outstanding evils associated with the policy of Reciprocal Trade Agreements lies in the fact that it inevitably will bring in its train demands for other forms of protection to replace the tariff. Even now, there is a call for subsidies in marginal industries. Subsidization as a policy is economically and politically unsound. It opens wide the gates to bureaucratic favoritism, inefficiency in operation and corruption of public officials.

#### GENERALIZATION DESTROYS RECIPROCITY

Both from a standpoint of theory and also from a practical viewpoint, it is impossible to defend the Reciprocal Trade Agreements program insofar as it is based upon a generalization of tariff reductions under the unconditional most favored nation clause; that is to say, while it may be possible in some instances to justify a tariff reduction to one country in return for concessions on its part, it is utterly impossible to justify a grant of the same concession to other nations which do not offer any corresponding benefits to the grantor. To pursue such a policy is to make a mockery of the use of the word "reciprocal," in connection with such trade agreements.

#### "PRINCIPAL SUPPLIER" THEORY OFTEN VIOLATED

As this policy is both theoretically and practically indefensible, proponents of the Reciprocal Trade Agreements fall back on the argument that as we make concessions only to the "principal supplier" of imported commodities, no real damage is done. George N. Peek, who, with Samuel Crowther wrote "Why Quit Our Own," showed that this argument is not sustained by an examination of the facts. The United States, according to Mr. Peek, made concessions to Brazil on manganese, when Soviet Russia, the African Gold Coast and British India were the principal suppliers. Similarly we made concessions to Haiti with regard to coffee, which were highly beneficial to Brazil and Colombia as principal suppliers, but who were not required to give us anything in return. The list of such performances could be continued ad infinitum.

The solution of our foreign trade problems lies in a return of the tariff making power to Congress, and the initiation of a program of limited stock piling of industrial metals to be purchased only at prices below their industrial value. This would supply foreign nations with dollar exchange to pay for our exports, and would be noncompetitive with domestic industry.

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#### PERTINENT RESOLUTIONS ADOPTED BY THE AMERICAN COALITION AT ITS ANNUAL MEETING IN WASHINGTON, D. C., JANUARY 15, 1948

##### FOREIGN CAPITAL

Whereas one of the major causes of the depression during decade 1930 to 1940 was the use by foreign nations of their stocks of gold and foreign exchange

for the purpose of buying American-owned securities and for the purchase of other property in the United States, rather than in payment for our exports, be it

Resolved, That the American Coalition, in annual convention assembled, holds that our unhappy experiences in these matters following the First World War demand a comprehensive investigation of the subject by appropriate congressional committees and the formulation of legislation based on their conclusions to protect the economic system of the United States from foreign investment policies in territories subject to our jurisdiction, which may be detrimental to the national interest.

#### WORLD TRADE—STRATEGIC METALS

Whereas world trade cannot be conducted unless foreign nations have a sufficient supply of American dollars to buy our exports; and

Whereas loans to foreign nations merely aggravate their difficulties; and

Whereas the limited industrial uses of gold and silver make it inadvisable for the United States to further augment its stock of these metals, except from domestic sources; and

Whereas strategic metals other than gold and silver are essential to our national existence, and with the depletion of domestic mines a supply of such metals will be of increasing value: Therefore be it

Resolved, That the American Coalition, in annual convention assembled, reaffirms and favors the passage of legislation for the purchase by the United States of strategic metals, other than gold and silver, not at fixed prices, but in such manner as not to raise domestic industrial prices for these products. Further, that such metals be held in stock piles from which sales would be made in the domestic market only at prices somewhat above average industrial prices at the time of purchase, and the quantities of such metals purchased from foreign sources shall be sufficient to finance our export trade, but domestic industry should also be permitted to participate in the plan if there be danger of unemployment at home.

#### RECIPROCAL TRADE AGREEMENTS

Whereas, as the result of the reductions in tariffs incident to the adoption of the reciprocal trade agreements, it has been disclosed that grave injury has already been inflicted upon the various agencies of production throughout the United States, and

Whereas imports should be controlled by the exercise of our own sovereign right, through the imposition of adequate tariffs: Be it, therefore,

Resolved, That the American Coalition, in annual convention assembled, urges upon Congress the repeal of the Reciprocal Trade Agreements Act, as constituting an ever-present menace to the American standard of living and an unwarranted encroachment by the executive branch of the Government upon the legislative powers conferred upon Congress by the Constitution of the United States.

#### INTERNATIONAL TRADE ORGANIZATION

Whereas the suggested charter for an International Trade Organization, published by the Department of State, embodies provisions which would subordinate the interests of the American workman to those of foreign countries and international finance: Be it therefore

Resolved, That the American Coalition, in annual convention assembled, emphatically opposes the entry of the United States into any international trade organization, in which the welfare of our own people is not adequately protected.

WINE INSTITUTE,

717 Market Street, San Francisco 3, June 4, 1948.

The Honorable EUGENE D. MILLIKIN,  
Chairman, Senate Finance Committee,  
Room 341, Senate Office Building, Washington, D. C.

My DEAR MR. MILLIKIN: The wine industry is opposed to the existing procedures for negotiation of trade agreements.

We favor the enactment of H. R. 6556, pending a permanent and realistic method of negotiating foreign trade problems.

The 1930 tariff rates on foreign wines were cut in 1936, resulting in some increase in imports which terminated about 1939 because of the commencement

of World War II. In January 1948 the rates were again cut on wines other than dessert wines (imports of which are primarily a product of Spain and Portugal).

The United States is the fourth largest wine growing country in the world. In common with other wine growing countries, we tend to have a surplus of grapes for that purpose. Fortunately, most of the wine produced in the world is made to be consumed locally. Accordingly, we do not feel that the import trade in wines would, under normal conditions, affect us to any substantial degree; it would, rather, provide for the consumer a source of specialty items amounting to about 5 percent of total United States wine consumption.

Conditions are not, however, normal. Due to the heavy crops of the 1946 and 1947 vintages, the California industry is carrying an inventory amounting to between 1½ and 2 years sales—much higher than usual, and resulting in a substantial decline in sales price and considerable losses in inventory values.

This recession had not yet occurred when we appeared before the Committee for Reciprocity Information in early 1947. It was noticeable later that year when the Geneva negotiations were pending, and was confirmed the following autumn and winter when the 1947 vintage replenished inventory to the same high point above indicated.

At the time we appeared before the Committee for Reciprocity Information in 1947, existing United States tariffs were no impediment whatsoever to foreign imports, having already been substantially reduced in 1936. We pointed out, however, that surplus grape conditions here, as well as surplus grape conditions abroad plus lack of dollar exchange abroad, rendered it highly desirable to observe extreme caution in lowering wine duty rates in advance and, for all practical purposes, irrevocably (the so-called escape clause being relatively meaningless, in our opinion).

The reduced 1948 duties were negotiated with France, that country being the principal supplier. Because the previously lowered 1935 duties did not impede wine imports, we have always felt (but, of course, cannot prove) that the further 1948 concessions were primarily based on the desire of our negotiators to make concessions which would be of psychological importance to the French, rather than on any realistic considerations.

Since new rates have been in effect only a few months, it is too early to estimate their effect. We note, however, that the French table wine importations since the first of the year have been exceeded by the Italian table wine importations. Italian low currency values coupled with the new lower duty rates may be a substantial factor in increasing Italian imports. If the currently inflated French values are similarly reduced, we greatly fear an increase in wine supply sufficient to further upset the existing market situation.

Our objections to existing trade agreement procedure are two. First, the so-called escape clause is so vague as to make it impossible to set up a clear-cut case under it. Second, the current hearing procedure in advance of negotiations provides no assurance that genuine consideration will be given to the economic facts involved in the particular trade affected.

We respectfully suggest that it is highly desirable that there be some clear-cut statutory standards for negotiation procedures and relief, and urge that H. R. 6556 be enacted to that end.

This letter is submitted on behalf of the California wine industry (representing about 85 percent of total United States consumption) and on behalf of the balance of the industry located in some dozen other States.

Respectfully,

WINE INSTITUTE,  
 (Signed) Edward W. Wooten,  
 (Typed) EDWARD W. WOOTEN.

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STATEMENT BY THE WOMEN'S ACTION COMMITTEE FOR LASTING PEACE CONCERNING  
 THE GEARHART BILL AMENDING THE TRADE AGREEMENTS ACT

The Women's Action Committee for Lasting Peace has as affiliates 14 national women's organizations with official representation from each of these organizations on its national board of directors. The Women's Action Committee itself is composed of many thousands of members under the leadership of State and Congressional District chairmen.



The Women's Action Committee for Lasting Peace considers it of the utmost importance that the trade agreements program be continued in a workable form and for a reasonable length of time. As consumers, our members want a wide variety of goods at low prices. They realize the effect of high tariffs both on the cost and on the availability of goods. As women who are deeply interested in international affairs, we realize that the prosperity of the United States is closely linked with world prosperity.

The extension of the Trade Agreements Act for only 1 year would mean a virtual suspension of the program, as the long process of study and negotiations takes many months. Our Government would have difficulty negotiating agreements with other countries under pressure of doubt as to whether it could meet the year's deadline on its authority to accept this agreement. It is important that this country be free to negotiate with a view to bringing other countries into the general agreement on tariffs and trade signed by 23 countries in Geneva last autumn. Moreover, several of the western European countries do not as yet have trade agreements with us. It is vital for the effective development of ERP that we reach agreements with these countries.

A particularly unfortunate provision of the Gearhart bill (H. R. 6556) is that which segregates the Tariff Commission from the Interdepartmental Committee on Trade Agreements where it has been represented during the past 14 years along with other interested departments. H. R. 6556 creates a cleavage in the development of our tariff policy which cannot be reconciled anywhere within the executive branch of our Government. The provisions of this bill are such that not even the President can bridge the gap. If a trade agreement goes beyond certain limits (not the limits set by Congress in the Trade Agreements Act, but limits set by the Tariff Commission) the President and the Tariff Commission must present their differences for a decision by Congress. This is poor government practice in any field.

Not only is the Tariff Commission segregated from the Interdepartmental Committee, but it is given a different set of criteria on which to form its judgments. The bill provides that while the Interdepartmental Committee forms its judgments on a broad basis of common interests after an analysis of effect of tariff rates on foreign policy, commerce, labor, agriculture and the consumer; the Tariff Commission must form its judgments solely on the basis of the interests of the producer coupled with considerations of national security. (Just why the Tariff Commission rather than the Department of Defense, which is represented on the Interdepartmental Committee, should be chosen to decide on the security aspects of our tariff policy is difficult to understand.)

The Women's Action Committee for Lasting Peace urges that the Senate Finance Committee, taking these and other points into consideration, will either recommend drastic changes in the bill as passed by the House, or better still, recommend a straightforward extension of the present Trade Agreements Act without amendments for at least 3 years.

We will recess until 9:30 tomorrow morning.

(Whereupon, at 2:15 p. m., the committee recessed until 9:30 a. m., of the following day.)



# EXTENDING AUTHORITY TO NEGOTIATE TRADE AGREEMENTS

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THURSDAY, JUNE 3, 1948

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 9:30 a. m., in room 312, Senate Office Building, Senator Eugene D. Millikin (chairman) presiding.

Present: Senators Millikin (chairman), Butler, Hawkes, George, Barkley, Byrd, and Lucas.

The CHAIRMAN. The hearing will come to order, please.

Good morning, Congressman, we are glad to have you here. The first witness is Congressman Gearhart. Make yourself comfortable, Congressman.

## STATEMENT OF HON. BERTRAND W. GEARHART, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Representative GEARHART. Mr. Chairman, the subject of foreign trade is such a broad and complicated one that I have reached the conclusion that I had better confine myself to discussion of the bill or my remarks might be indeterminable.

The bill as introduced and passed in the House of Representatives provides for a 1-year extension rather than the 3 which was requested by the State Department.

The CHAIRMAN. Congressman, you are aware of the fact, are you not, that the State Department was in serious doubt for many months this year whether they would ask for an extension at all?

Representative GEARHART. I think that idea would support the conclusion that a 1-year extension was sufficient for all purposes.

The CHAIRMAN. It is more than they anticipated asking for.

Representative GEARHART. Then we can feel that we are very generous and expansive in our office to the country.

The reason why we felt that 1 year would be sufficient in order to make a complete check on this subject was that our investigation into the operation of the trade agreements for its first 14 years discloses that 98 percent of the dutiable items have been cut already, and that 91 percent of the items on the free list have been bound on the free list. So it appears quite beyond contravention that the tariff-slashing job is about completed. In fact, the State Department representatives have stated here that there are only a few odds and ends to be cleared up. When we further contemplate the result of 14 years administra-

tion of the Trade Agreements Act it is revealed that they have reduced the tariff to an ad valorem level of 15 percent on the dutiable items and to 6 percent when the dutiable and free items are considered together, which means that we in the United States have practically no tariff at all. This country now is closer to free trade than it ever has been in its history.

I had the staff expert on tariffs prepare some figures for me from which we could make some comparisons as to our tariff in relation to the outside world or, at least to that part of the world with which we carry on most of our foreign trade, the United Kingdom and the British Commonwealth of Nations.

It was revealed to my very great surprise that the United Kingdom, consisting of England, Scotland, Wales, and Northern Ireland, is collecting \$3,164,000,000 in customs, whereas the United States with a population four times as great is only collecting \$494,000,000 in customs. Translating that into per capita averages we note that the British are collecting from customs \$64.16 per capita and the United States is collecting from customs only \$3.41 per capita.

The CHAIRMAN. That is a very interesting statement.

Representative GEARHART. It is a very interesting revelation and only recently disclosed. For the purpose of the record, I would point out that England is the highest and the United States is the lowest among these nations: New Zealand, Australia, Canada, South Africa, United Kingdom, and the United States.

As a matter of fact, we never did have a high tariff.

Even when the Smoot-Hawley Act was placed upon the statute books, the United States was thirteenth on the list of important nations, insofar as the ad valorem measurement could be applied to the then-existing tariffs. Taking the United States as 100 par you find Spain had a tariff of 456; Germany, 279; Brazil, 239.4; Greece, 166; Hungary, 180; Italy, 150.5; Mexico, 149; Egypt, 130; Switzerland, 128; United Kingdom, 118.3; Argentina, 110; United States 100; Japan, 98; Belgium, 96.8; France, 85; Canada, 76.3; Netherlands, 37.4; and Sweden, 32.8; which involves about all the important trading nations of the world insofar as the United States was concerned at the time.

It has just been a question of giving the dog a bad name. The United States has never been an offending nation in the maintenance of high tariffs. Certainly at the present time with the tariff cut to 15 percent ad valorem on dutiable items and 6 percent on dutiable and free, you can see we have practically no tariff at all.

So in urging a 1-year extension it should be acceptable by the country. Nothing can be done to do more damage to our tariff structure than has already been done, even if they proceed diligently to make as many agreements as they care to make during the 1 year that remains.

The CHAIRMAN. One more jump on the scale of the last jump and we would not have any tariff at all.

Representative GEARHART. That is right. We are so near to that situation that it is appalling to contemplate the result of 14 years of tariff slashing by the trade-agreement method.

There is one other interesting comment I want to make on that phase of our discussions before I pass to a consideration of the bill. That is, when we emerged from World War I the Tariff Act of 1913, the so-

called Underwood Tariff Act, was in effect. Under that act, 66.3 percent of the items were on the free list and the dutiable rate was 27 percent. As soon as the war was over and the outside world got back into production stride, the United States, because of those low tariffs, much higher than the tariff levels of today, became the dumping ground of the world.

A crisis developed of such proportions that the then President of the United States called the Congress into special session for the purpose of passing an emergency tariff law, which it promptly did, along with other antidumping legislation which retrieved the situation until the matter could be considered more maturely by the Congress. Because of that historical happening, the consequence of this Underwood tariff and its ad valorem rate of 27 percent, drastic legislative action became imperative. And now that we have an ad valorem level of but 15 percent, I wonder what the future will unfold for us, when the outside world does in fact get back into a normal production stride. This, as it is anticipated, will be within the next year or so. If the United States again becomes the dumping ground of the world, this committee may be called upon to take drastic and immediate and emergency action to save this country from disaster.

Senator GEORGE. What do you mean, Mr. Gearhart, by 15 percent ad valorem?

Representative GEARHART. The figures represent the general average across the board of the tariff rates now existing. I have similar figures as to all of the other tariff bills passed since 1897.

Senator GEORGE. Is it your statement that that is the general average of all dutiable items?

Representative GEARHART. Yes, ad valorem.

Senator GEORGE. Translated specifically into ad valorem, altogether.

Representative GEARHART. Yes. To complete the comparison I might point out the Dingley Act of 1897 established an ad valorem percentage on the dutiable list of 46.1 percent, the Paine-Aldrich Tariff Act of 1909 established an ad valorem rate of 40.7 percent. The 1913 Underwood Tariff Act established 27 percent. The 1922 Tariff Act established 38.4 percent, and in 1930 the Smoot-Hawley Act established 40 percent, one and a fraction percent higher than the preceding McCUMBER tariff.

So we contemplate a new situation now which is quite novel and unique in American history. I would not dare to predict what the future is to unfold as a consequence of the slashes that have occurred.

Another reason for fixing 1 year as the period instead of 2 or 3 years is that this Congress already has provided that the European relief program shall be checked up as of that date and also the International Trade Charter will be presented to the Congress for its consideration next year and we believe that in theory at least these three programs have some relation to each other and therefore should come on for consideration simultaneously.

Then there is the very important fact which all Americans should consider, and that is that this is an election year and a newly elected administration will take over next year. Should that administration be Democratic, undoubtedly the House and Senate will be of the same party. It would follow as a matter of course that that party would write its own trade policy and conversely should the new administra-

tion be Republican, the Congress being of the same persuasion will undoubtedly proceed to write its own foreign trade policy.

So it is just idle to endeavor to impose on such a new Congress coming into power, as it will next year, a system which that administration may or may not like. The incoming administration, aided by a supporting Congress, will simply write its own policies. So let us be realists and acknowledge the fact that that is going to occur in any event, and therefore let us write laws that are consistent with that immutable conclusion.

To make it more than 2 years would be to bypass the Eighty-first Congress, that is, at least the House of Representatives part of it. A proper respect for a group of gentlemen who will be elected to that body next year would dictate a decent restraint in the exercise of the legislative prerogative at this time.

In fact, every law is written in that way. Every law is subject to repeal. Every law is subject to change. We do create moral situations sometimes by the enactment of legislation which makes it very difficult for the legislative branch to rise to its constitutional prerogatives. Therefore, I would say let us not—

Senator LUCAS. As a former member of the House, I never knew any Member of the House not to be able to rise to its constitutional prerogatives.

Representative GEARHART. That is a compliment you pay to the House, and coming from a former Member of the House, I value it.

The CHAIRMAN. He has to overcome his will power in some cases, Senator.

Representative GEARHART. The changes we ask in the bill which the House has sent to the Senate are, I think, simple, sound, and supported by administrative precedent. The transfer of the responsibilities from the Committee on Reciprocity Information in respect to holding public hearings to the Tariff Commission will promote confidence in the trade agreements procedure generally throughout the country, confidence in the program and its administration. If there is any agency of the trade agreement set-up which has fallen in public confidence and in public estimation, it is the Committee of Reciprocity Information. It is known to be a fact, in fact it is notorious, that the men who sit upon the bench and hear the complaints or the criticisms or the suggestions of people who travel from the far corners of this country to testify before that agency, have nothing to do with the working of any decisions upon the testimony they pretend to listen to. It is widely known that the men who sit there have nothing to do with the negotiations that are later or simultaneously being carried on.

I happen to know two former members of that Committee who are now in retirement and because thereof are under no restraint in respect to that which they might say concerning their functions, the functions they performed when they were members of that Committee, and both of them assure me they never received an order from anyone other than to present themselves and to sit on the bench. Thereafter they never made any findings on anything they heard or formulate any conclusions, neither were they ever thereafter asked to make any recommendations.

That is a cruel travesty. That is a cruelty inflicted upon the American people who came to Washington to present their cases to a body

of gentlemen whom they were led to believe would have something to do with solving the problems with which they were vexed. But this Punch and Judy show has gone on with their farce now for 14 years.

So I say the first thing that the transfer would do would be to promote public confidence in the administration of the program, and that is a very, very important thing.

In making the transfer from a trade agreements committee to the Tariff Commission, the House of Representatives in presenting this bill to the Senate was following a precedent established by the President himself in his Executive order of February of 1947, when he transferred the function of receiving complaints after injury had been inflicted from the Committee on Trade Agreements to the Tariff Commission.

We of the House thought that if the President believed, as we believe, that the Tariff Commission was competent to correct a mistake after a mistake was made, certainly it was competent to prevent a mistake from being made before it was made. That is all we hoped to accomplish by this suggested change.

In other words, we want to lock the door before the horse escapes. Also in selecting the Tariff Commission as the agency to conduct these investigations and to make these recommendations, we were conscious of the fact that the Tariff Commission is a nonpartisan, scientific, technical organization of men who can be said to follow a profession. Because of their nonpartisan charter and professional nature we feel that they will arrive at conclusions which are nonpolitical and nonpartisan in their nature. If we can eliminate the partisanism which has crept into the administration of the program and establish a nonpartisan atmosphere, we feel that everyone then will support the conclusions with an unanimity which we have never been able to achieve heretofore. And it would make of this program a nonpartisan American program, convert a very partisan program, which it is now, into a nonpartisan program which all Americans could support enthusiastically.

In asking the Tariff Commission to accept this responsibility, we merely ask them to do that which they are already doing. As a matter of fact, they brief all the testimony that they can get from any source. They make their own studies. They call in experts for examination and arrive at conclusions which they transmit to the trade agreements negotiating committees. So we are not imposing upon the Tariff Commission any greater responsibilities than they now are exercising, pursuant to law, Executive order or voluntarily assuming the administration of the program.

The CHAIRMAN. The interdepartmental committee, Congressman, is a creature of Executive order. By the same token that it has been created that way, if the President wishes he can continue it that way for his own advice. If he is not content with the advice of the Tariff Commission, under your bill he may go against it. He would then submit the agreement to Congress for review. But if he wanted to, he could continue the interdepartmental committee or any other organizational arrangement to give him all the advice that he may want.

Representative GEARHART. Under the bill there is one possible exception to the statement the chairman has just made. There is a provision in the bill which will prohibit the Tariff Commission or any

of its members from serving upon any of these interdepartmental committees.

The CHAIRMAN. Quite right.

Representative GEARHART. That is put in advisedly because we wanted to restore the independent character of the Tariff Commission. As long as they are drawn into any interdepartmental committees, they are of course drawn into a situation where they must cast votes. When they vote two and two is four, other members of the committee may overrule them and declare by their votes that two and two is five, a circumstance which would compel the Tariff Commission to accept as a fact a conclusion which they know is not true.

The CHAIRMAN. There has been intimation in this hearing that this bill would strike down the interdepartmental committee. The bill would, I suggest, accomplish nothing of the kind unless the President wishes to strike it down.

Representative GEARHART. That is right.

The CHAIRMAN. He can take advice from any governmental or private source he wishes in reaching his own conclusions.

Representative GEARHART. Correct. Sound policy dictates that the independent character of the Tariff Commission be maintained. It shall be to one side, performing its functions, but it shall be the duty of the Tariff Commission at all times to keep itself accessible to the negotiating agencies of the Government to supply them with such assistance and guidance as they are capable of.

In other words, they will by law be required to cooperate in the fullest with the State Department in its negotiations with foreign powers.

That is important for another reason. The Tariff Commission is one of those agencies which was created as an aid to the legislative branch of the Government. By this simple device of requiring the Commissioners to accept membership upon committees that are set up in the executive departments, their independent character as a legislative agency is impaired to that extent. How substantial, I would not undertake to say. In theory, at least, the Tariff Commission, the Interstate Commerce Commission, and the General Accounting Office, which are legislative agencies, should, so far as we can do it by law, be maintained in an independent legislative capacity.

The CHAIRMAN. The testimony of Mr. Gregg and of Mr. Ryder yesterday made it very clear that the Tariff Commission does not sit on an interdepartmental agency as such. Mr. Ryder sits there in his personal capacity and does not act as a functionary for carrying into the interdepartmental committee the views of the Tariff Commission.

Representative GEARHART. I understood that, but as a member of the Commission the independence of that Commission, at least, to the extent of one-sixth of the Commission is impaired.

The CHAIRMAN. There may be a complete dilution, because the Chairman need not represent the views of the Tariff Commission. Therefore, the views of the Tariff Commission might be lost entirely.

Representative GEARHART. That is correct.

I come now to a question which has created some discussion, and that is placing upon the Tariff Commission the obligation, after investigation and after public hearings, to establish the peril points



beyond which the President shall not go in negotiation of agreements or if he does go, that future proceedings in the Congress must be had.

The Tariff Commission is a scientific agency of the Government, and if there is any agency in the Government that can do this, it is the Tariff Commission. Members of the Tariff Commission assert that they can. Other members of the tariff Commission assert that they will require additional assistance. That is quite beside the question. If they do, we will supply it by other legislation.

The CHAIRMAN. The testimony has shown that the State Department has no fixed program for making any further trade agreements over the next year. They have given some thought to a possible agreement with Greece, and the items that would be involved in an agreement with Greece—Portugal also has been mentioned—the items that would be involved in trade agreements of that kind would not make the slightest impact on the work load of the Tariff Commission as now constituted.

Representative GEARHART. So, there is undue excitement over this. As to whether or not there should be any congressional references to the Congress of disagreements between the Tariff Commission and the President in his negotiating capacity, I think the probabilities are so slight that they are hardly worth considering. The Tariff Commission is not going to establish a narrow field of safety. Naturally, it is going to make it just as broad as it possibly can from the scientific and professional standpoint. The President is going to have considerable latitude in negotiations as a consequence of this. So the probability of the President and the Tariff Commission falling into disagreement is very, very remote.

I would say that probably one agreement out of 50 might be an agreement in which such a disagreement might occur. Even then the President may continue discussions with the Tariff Commission. In all probability, in most all cases where disagreements develop, they will be adjusted between the Tariff Commission and the President, and the Congress will never hear of the divergence in viewpoint. In those very, very few cases that come to Congress, they will come because there is a substantial agreement, one going to the very foundation of things. If such a disagreement develops, somebody will have to decide it. Since the Tariff Commission is an agency of Congress and we repose in it great confidence, Congress says to the commissioners, you fix the peril points, and when you do that, you do it for us. But when the result is such that the Tariff Commission finds itself in disagreement with the President, it is just natural that the disputed point should come back to the Congress for a decision on that particular phase of the Trade Agreement negotiation—

The CHAIRMAN. You of course appreciate fully that the Congress has the exclusive constitutional jurisdiction over this subject?

Representative GEARHART. Yes, and by conferring this power upon the Congress to make the final decision when a disagreement occurs, we are not conferring upon the Congress any authority.

On the contrary, we are limiting the authority of the Congress morally, if not legally, because the Congress cannot constitutionally part with the constitutional power to repeal the very act itself, if it so desires, and it necessarily retains the power to repeal any of these agreements, one by one, item by item, if it so desires, this because its

action would be subsequent in point of time. The courts have held that the Congress can even repeal a treaty of the United States, if it is so minded.

The CHAIRMAN. You have not been able to attend the hearings and I invite your attention to a very strange development. Because the Congress does have this jurisdiction we are authorized to require the Tariff Commission to report directly to your committee and to this committee. So that we may be fully advised of every development on the subject of tariff, customs, and so forth. This has been delegated now to the interdepartmental committee. Day before yesterday we requested the minute book of the interdepartmental committee and you will probably be amazed to know they refused to let us look at it, illustrating how far Congress has abandoned in fact its constitutional power over the subject matter.

Representative GEARHART. That brings me to a very unpleasant subject, which I probably would not have adverted to. But after having 7 weeks of public hearings to which everybody was invited who wanted to testify, and at which we heard everyone who wanted to testify and only adjourned our meetings because we ran out of witnesses, I was accused of having conducted star-chamber proceedings on this bill, whereas as a matter of fact the heinous offense I was guilty of was resolving those public hearings into executive session pursuant to a resolution of direction of the Ways and Means Committee to prepare legislation.

The thing that shocked me the most was not the accusation of star-chamber proceedings, because we hear all sorts of accusations on Capitol Hill. The thing that really shocked me was that that charge should come from the State Department which is famed far beyond the borders of this country for the absolute secrecy with which it carries on all of its proceedings, including trade agreement negotiations, behind the silken purple curtains of diplomatic immunity: "People who live in glass houses——"

The CHAIRMAN. They will not even let Congress look at their minutes.

Representative GEARHART. In a way, I was amused at the charges of star-chamber proceedings that were hurled and I am glad to comment in the record. We did have full and complete public hearings on this bill, probably the most complete that ever has been held in the history of the House of Representatives. But try and find an admission of it in the prejudiced press.

The CHAIRMAN. I might say we have held hearings a year ago and there has been nothing since then which would require additional hearings.

Representative GEARHART. That is right.

The CHAIRMAN. There has been nothing whatsoever.

Representative GEARHART. So much has happened, as I said, I might be here testifying long after the patience of the Senate has been exhausted, so I am going to bring my remarks to a very hasty close by commenting upon some of the criticisms that I have heard.

Yesterday, I am told, the witnesses spent most of their time pointing to a provision of the bill which authorized the President in agreements to raise the tariff 50 percent, arguing that that provision will fill the hearts of all the people who live beyond the borders of our

country with apprehension and fear; that they will regard that provision in the bill as an indication that the United States intends to return to "economic isolation."

How could that occur? How could there be any fear in the hearts of any foreigner because we indicate that we might in some case raise the tariff 50 percent? All they have to do to protect themselves against anything like that from happening is to refuse to sign an agreement. Whether or not a tariff is raised is entirely in the control of the negotiating agency of the foreign government that we are dealing with. So the fear argument which is always potent in politics, does not exist here at all.

Furthermore, that provision authorizing the President in agreement to raise the tariff by 50 percent is merely carried over and restated in this bill from the original Trade Agreement Act. The only reason we felt it was necessary to restate the authority was because in the extension of the act in 1945 we authorized the President to make a further cut of 50 percent which required careful wording in the present act. That is the only reason it is mentioned at all.

Then we have heard so much about the word "crippling," a crippling amendment. That is not a new word in this proceeding. We have heard that charge hurled at every bit of legislation that has been considered by Congress during the last 14 years which offered from the Congress any constructive changes or any different procedure.

The change which is made by the bill under consideration is a procedural change entirely. The result remains the same. We can still negotiate reciprocal trade agreements, if we ever get any reciprocity into them. With it the authority of the State Department acting in the name of the President is preserved. We merely change the procedure in one or two slight particulars. So when they talk about changing procedures as crippling and do not point out with clarity how they cripple, they are confessing in effect that the word is used because there is nothing that they could point to without the use of condemnatory adjectives.

Furthermore, if a good deal is made in any agreement, one to the advantage of the American trade or to the advantage of world trade, is it not ridiculous to suggest that the Congress of the United States would do anything to prevent the consummation of such an agreement?

To assert that Congress would act unwisely is to assert that the State Department insists on an unbridled right to be wrong. That is the one thing we want to help them not to be.

The CHAIRMAN. I think it now has been admitted in the hearing that there is not any log-rolling procedure because the whole agreement has to be voted up or down and there is no swapping of items.

Representative GEARHART. That should be admitted. Furthermore, log-rolling and back-scratching no longer exists on the Hill, as it has been completely captured and taken down town to be concealed behind the silken purple curtains of the State Department.

The CHAIRMAN. Why did you not put in a crippling amendment to stop that?

Representative GEARHART. A crippling amendment to end all crippling amendments?.. Impossible!

The CHAIRMAN. Why did you not put in a crippling amendment to stop the log-rolling behind the silken curtains?

Senator BARKLEY. You do not mean to indicate that backs are not available over here to be scratched if the occasion arises?

Representative GEARHART. People don't scratch backs when there is something to be gotten out of it; when you have an itch. If you have an itch on the Hill here and you scratch it, you do not get the satisfactory result you do when you scratch it down at the State Department, where the biggest and best itches now develop.

Senator BARKLEY. I do not know. That is a very broad subject.

I have seen backs scratched until the blood ran down the backbone.

Representative GEARHART. Since back-scratching is an art of which I know little, I guess I should bow out on that one. In conclusion, gentlemen, permit me to thank you very, very profoundly for permitting me to come here and express some comments on this legislation which I sincerely believe to be constructive in nature, improving in character, and modernizing in result.

I feel quite confident if the bill is enacted in substantially the same form it was sent to you, it will destroy the partisan character of the trade agreements administration and establish in its place a non-partisan American foreign trade policy which will promote confidence throughout the country in the program and in the future. It is in that hope which the bill has been sent to you, I am quite sure.

The CHAIRMAN. Any questions?

Senator LUCAS. I should like to ask one question. May I inquire, Congressman, what the difference is between H. R. 6556 and the bill that you introduced in the House known as H. R. 6378?

Representative GEARHART. That bill was introduced by me by request of two Senators, and it involves an entirely different program, if I am thinking of the bill you have in your hands. Are you referring to Senator Malone's bill?

Senator LUCAS. I am referring to H. R. 6378, which bears your name and was introduced in the House April 28, 1948, and a similar bill introduced by Senator Malone known as Senate bill 2582.

Representative GEARHART. They are identical bills. I introduced mine at the request of Senator Malone. As I said upon the floor of the House at that time, I was introducing it without a sufficiently thorough study of it to justify me in sponsoring it in all of its details. It is offered to the country for study and consideration.

Senator LUCAS. Those who have made a study of it say definitely that if this bill became the law, it would effectively undo all that has been accomplished under the Trade Agreements Act.

Representative GEARHART. As I said before, I am not familiar with all of its implications and that is the reason why I indicated very clearly that I offered it "by request." In order that there would be no doubt about it, I made a 1-minute speech in the House pointing out that it was being offered at the request of the Senators whose names you have mentioned. It is worthy of study, I am sure.

Senator LUCAS. The only reason I raise the question is because of the statement about economic isolationism that you made reference to a moment ago, because if I understand the philosophy of this bill that is exactly where it takes us to. It is coming to isolationism.

Representative GEARHART. Economic isolationism is a political epithet rather than an argument, is it not?

Senator LUCAS. I do not know whether it is an epithet or whether it is an argument.

Representative GEARHART. What is economic isolationism? We have always sought, even in all the old days, a very widespread world trade, and I myself am for the maximum beneficial world trade. I certainly cannot be accused of being an isolationist.

Senator LUCAS. I am not charging you with that. You raised the question yourself, and the only thing I am saying to you is that those who have made a careful study of the bill which you introduced in the House definitely say that it would effectively destroy the trade-agreement program and take us back to what you call economic isolationism.

Representative GEARHART. The Senator is the one who is saying it would create economic isolationism, and the Senator is the one who is saying it would take us back to something which I do not know ever existed. All I have said about that bill is that I offer it for the study of the country.

Senator LUCAS. I see.

Representative GEARHART. I am not familiar with all of its implications because I introduced it as soon as it was handed to me and I tried to indicate when I introduce the bill under such circumstances the limitations under which I do introduce it.

Senator LUCAS. I am glad to get your explanation because I thought in view of the theory and philosophy of the bill before us which was introduced by you, 6556, and which takes us, in my judgment, back toward the old days of tariff log-rolling, and in view of the fact that you introduced H. R. 6579, which completes it, I thought perhaps I might—

Representative GEARHART. I am not so good in arithmetic as I might be. When you call off the numbers of the bills I am not sure that I know what you are referring to. What is the other one which completes it?

Senator LUCAS. 6379 is the one which you introduced by request, you say.

Representative GEARHART. Yes?

Senator LUCAS. That is all, Mr. Chairman.

The CHAIRMAN. To which committee was that bill referred?

Representative GEARHART. It was referred to the Ways and Means Committee.

The CHAIRMAN. Have any hearings been set on it?

Representative GEARHART. No. I haven't asked for any hearings; none whatsoever.

The CHAIRMAN. Is there any Republican policy respecting it?

Representative GEARHART. None whatsoever. That is why I indicated it was by request. I am not disavowing it. I don't know even that much about it. It was introduced as an accommodation to two very fine friends of mine.

The CHAIRMAN. Thank you very much, Congressman.

Representative GEARHART. And thank you, Senator, for your very great consideration.

The CHAIRMAN. Charles W. Holman?

Make yourself comfortable, Mr. Holman, and identify yourself to the reporter.

You are getting to be a frequent visitor here, and very welcome.

**STATEMENT OF CHARLES W. HOLMAN, SECRETARY, NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION**

MR. HOLMAN. This is about the second time in 2 or 3 weeks, Senator.

My name is Charles W. Holman. The address is 1731 I Street N.W., Washington, D. C. I am secretary of the National Cooperative Milk Producers Federation. That, Mr. Chairman, is a national organization of dairy farmers, 32 years old, and with approximately 430,000 farm families in its membership.

These organizations own dairy marketing associations, some of which are bargaining and some of which are manufacturing. In all, these farmers marketed last year about 18 billion pounds of what we call whole milk equivalent. We have been rather frequent and persistent witnesses before this committee with respect to the trade agreement act of 1934, and I am appearing in support of the House bill, H. R. 6556, to the extent only that this bill approaches the historic policy of the dairy farmers of America that are represented by our federation.

We did not oppose the enactment of this law in 1934, much to our regret. Our experience with this law since then has created among our people a growing animosity which has caused them to come out flatly for its repeal.

I am attaching to this statement a copy of a resolution adopted at our annual meeting last November, and a copy of a motion passed by our executive committee in December 1948.

(The resolution will be found on p. 252.)

The dairy farmers of America are vicarious sufferers of a wrongly conceived congressional policy in 1934. They are direct sufferers of a hostile program progressively built up by the State Department and climaxed by the General Trade Agreement signed in Geneva, Switzerland, last year.

In that agreement import duties on dairy products were ruthlessly slashed to levels ranging from 50 to 75 percent below the levels of the Tariff Act of 1930. In terms of approximate computed ad valorem rates, the import duties on dairy products fell from a range of from 19 to 61 percent in 1930 to about 9 percent at the present time.

On the basis of ad valorem computations, the State Department has moved the dairy industry as closely as it possibly can toward the lower levels of free trade. At the present time the ad valorem duty computed—as you know, we are on a specific duty basis—butter is 8 percent; casein, 9 percent, and that comes into this country largely from Argentine; cheddar cheese, 9 percent; condensed milk, 8 percent in cases and 9 percent in bulk; cream, 5 percent; dried buttermilk, 12 percent; dried whole milk, 7 percent; evaporated milk, 7 percent; non-fat dry milk, 9 percent; and whole milk, 4 percent.

Senator BARKLEY. What are the specific duties, for instance, on butter? You say you worked it out in terms of percentage, but what is the specific duty?

Mr. HOLMAN. The duty in 1930, and at a time when butter was approximately 50 cents a pound, was 14 cents a pound. In January of 1948 under the Geneva Agreement it was reduced to 7 cents a pound on 50,000,000 pounds. Shall I go through the list for you, sir?

Senator BARKLEY. No; I just wanted one sample.

Mr. HOLMAN. I will use cheese also.

Senator BARKLEY. The higher the price the more the percentage, figured on a specific basis.

Mr. HOLMAN. At a time of higher prices, it is a cruel thing to do to an almost entirely domestic industry to reduce the duties upon these people when their costs are up.

For example, mill feeds of the earlier period were around \$40 to \$45 a ton, and today they are \$110 a ton; labor has gone up from \$50 a month to \$150 a month.

Senator BARKLEY. If butter were \$1 a pound, it would still be 14? How much did they reduce the tariff specifically on butter?

Mr. HOLMAN. From 14 to 7 cents a pound. That is for 50,000,000 pounds entered during the period from November 1 to April 1, allowing 50,000,000 pounds of butter to come in during that winter period, which is a quota larger than our butter imports in any year in history.

Senator LUCAS. What year was that?

Mr. HOLMAN. The Geneva Trade Agreement signed last year permits imports to come in during the November 1 to April 1 period of each year of 50,000,000 pounds of butter at a 7-cent-a-pound duty.

Senator LUCAS. Are we in short supply of butter in this country?

Mr. HOLMAN. Yes; we are in short supply of total dairy products at the present time—total whole-milk equivalent, as we call it. We have been for many years.

Senator BARKLEY. Has that reduction resulted in a reduction in the price of butter to the American people?

Mr. HOLMAN. Not with a short supply. It could not possibly, Senator.

The price of butter today is probably the cheapest price of any dairy commodity.

Senator LUCAS. Some of the housewives would not agree with that.

Senator BARKLEY. The point is, how has the reduction from 14 to 7 injured you, if it has not reduced the price of butter to the consumer?

Mr. HOLMAN. Senator, I am not proposing to discuss today the current injury to the dairy industry because of the fact that since the beginning of the World War, in fact, since the late 1930's, we have not had a normal condition.

I am proposing to discuss the effect of these duties in relation to the resumption of normality in our international trade.

Senator LUCAS. When do you think that will be?

Mr. HOLMAN. I think it will come within a relatively short time, 3 or 4 years from now, which is a short length of time.

In other words, we may get either normality or we may get a world depression. If we get a world depression, then our condition so far as imports are concerned will be even worse than it could possibly be under the present conditions.

Senator LUCAS. You have not been injured up to date; have you Mr. Holman?

Mr. HOLMAN. The reason we have not been suffering any particular injury since the Geneva Trade Agreement is because the Government, after saying to the rest of the world that this 50,000,000 pounds of butter could come in, immediately put restrictions upon butter imports.

Senator LUCAS. I do not see how you can say you are injured or how you can speculate on injury when there is a short supply of butter in this country, and the price of butter is as it is at the present time. I just do not see how you can say that you are injured.

Mr. HOLMAN. It is our business to try to find out what is going to happen to us as well as what has happened.

Senator LUCAS. I appreciate that. You are now speculating, purely, as to what is going to happen. The only thing I am saying is that in the last 13 years under the trade agreements the dairy industry of this country has not been injured.

You agree to that?

Mr. HOLMAN. Let us go back to this other thing.

Senator LUCAS. Do you agree to that or do you not?

Mr. HOLMAN. I would say the dairy industry was for a while injured, so far as cheese was concerned. Immediately after the first cut in the cheese duty on cheese coming in from Canada, the price of cheese fell in Wisconsin several cents a pound, and that lasted for quite a number of months, until conditions readjusted themselves.

I would say that so far as the fluid milk and cream coming in from Canada is concerned, the only thing that protects us at the present time is the sanitary law and not the near free-trade duties which are now in effect.

Senator LUCAS. Did the dairy industry ever have any injury under the old tariff law?

Mr. HOLMAN. Yes; the dairy industry in the period between 1920 and 1921 and 1922 found that the emergency tariff rate on butter of 6 cents a pound was entirely inadequate to take care of the speculative drops in the market, coming at that time largely from Danish imports.

That caused the Congress in 1922 to raise the rates from 6 cents to 8 cents a pound. Did you know that even then in the period following 1922, and before the act of 1930 went in, the conditions were such that the Tariff Commission, acting under the congressional rule, found that there was considerably more than 12 cents a pound difference in the cost of production between American butter and Danish butter, which is the highest cost butter anywhere in the world, except in the United States.

As a result of that, the President raised the duty on butter from 8 cents a pound to 12 cents a pound.

In 1930 the Congress increased this duty from 12 to 14 cents, based largely upon evidence which was produced as to the greater cheapness in the production of New Zealand butter. Later on evidence was produced before the Tariff Commission showing that New Zealand butter could be produced at 18 cents or more per pound cheaper than in the United States, and as a result of that a counter-duty was established upon New Zealand butter, as I recall.



Senator LUCAS. Your testimony definitely proves that you had really more trouble under the old tariff laws than you have had in the last 13 years under the reciprocal trade agreements.

Mr. HOLMAN. Yes; but we went into war conditions, and we went into conditions where we had import controls over what could come in, irrespective of duty. We also went into a condition where, no matter what the American public might feel they needed themselves, we had allocations and set-asides for the purpose of shipping abroad.

Senator LUCAS. All right.

Senator BARKLEY. Did you ask for a higher rate in 1940 than you got; 14 cents a pound?

Mr. HOLMAN. We asked for 14 cents a pound in 1930, Senator, and for correlating rates on all the dairy products related to fat.

We asked for a rate for approximately 6.5 to 7 cents on dry whole milk, with correlations of the duties on those products which have what we call milk solids in them, such as the casein, and the dried milk, that is, the dried skim milk.

Senator BARKLEY. You got practically the rate that you requested.

Mr. HOLMAN. We got everything we requested in that particular period, except casein. We had asked for 7 cents a pound on casein and the Congress gave us 5.5 cents. That was the first time there had ever been a correlated, scientifically constructed tariff schedule for dairy products, and it worked very well for us until the State Department began to monkey with it.

Shall I proceed, Mr. Chairman?

The CHAIRMAN. Go ahead.

Had you finished, Senator?

Senator BARKLEY. For the moment.

Mr. HOLMAN. As a result of this program great economic suffering to the dairy farmers of this Nation has been postponed only because of the abnormal conditions produced by war and its aftermath. A return to normality with the unleashing of the free play of the forces of international trade will, in our judgment, crack the price levels of American manufactured dairy products—that crack will be reflected in price breaks for fluid milk and cream in every milk shed in the United States.

In this way farm income will be lowered and outlets for domestically produced dairy products will be materially curtailed.

Upon several occasions prior to the signing of the Geneva agreement, I took occasion to predict disastrous consequences if the rate of duty on butter were reduced. In the Geneva agreement the duty on butter was reduced from 14 cents to 7 cents a pound on amounts up to 50 million pounds entered between November 1 and April 1—a quota larger than our butter imports in any year in history.

The reduced rate on butter became effective January 1, but butter imports have been negligible since that date. For that respite from danger we are indebted to a most critical world shortage of fats and oils, including butter.

Fats and oils generally, although not butter, are being allocated by the International Emergency Food Council. Our Government does its part in backing up those allocations by the manner in which it applies export and import controls. It has followed the general policy of denying licenses for the importation of butter.

The principal importer of butter is the United Kingdom. Just before the war the United Kingdom took about 80 percent of the butter entering into world trade. The principal butter-exporting countries were Denmark, Australia, and New Zealand, which accounted for about 65 percent of the butter entering world trade.

During the war, production of butter was greatly curtailed in all countries. Owing to the dependence of the United Kingdom on butter imports, her butter consumption was greatly reduced during the war, from near 25 pounds per capita to less than 8. The wartime ration of 3 ounces per week was only recently increased on a temporary basis to 4 ounces per week. That is equivalent to a maximum of 13 pounds per year for those taking the full ration—about half the prewar per capita average.

**THE CHAIRMAN.** What is per capita average in America?

**MR. HOLMAN.** Our per capita average was approximately 16.5 to 18 pounds per year, but now because of shortness of production of butter, it is limited to just about the English average.

The Imperial connection between Britain and Australia and New Zealand, and commercial arrangements with Denmark, has tended to relieve the pressure of foreign supplies seeking entrance to the United States. For example, the British Government has had a contract with New Zealand ranging from about 30½ to 31½ cents a pound running for 3 years. That is in terms of American dollars for butter delivered at London. There is a comparable contract with Australia at a price of 44.64 cents per pound, and another contract with Canada at a price ranging around 39 to 40 cents a pound in Canadian currency.

Recently, and shortly after we denied access to this country of Danish butter, the Danes contracted with England for a considerable portion of their excess supply.

The action of the United States under the British loan, the Interim Aid and the Economic Cooperation Act likewise have reduced the pressure upon Britain to divert some of her butter to our shores.

The United Kingdom agreements are significant pointers to possible developments. One agreement recently consummated with Denmark prices Danish butter at about 57.5 cents per pound. You will notice that is about 20 cents a pound more than England is paying New Zealand.

The 20-cent margin between this price and the price of butter in the United States must have tempted the Danes and the British. Any approach toward a balance in Britain's food supply, or in availability to Denmark of the coal and steel which she is buying from Britain, must surely release butter by the shipload for importation over our newly reduced barriers.

The action in reducing our butter tariff must have counted on the present scarcity to stall off the damage for a time. It is evidence of short-sighted, irresponsible policies in the negotiation of these agreements by the State Department. Congressional ratification is a minimum safeguard against such actions in the future.

**H. R. 6556**, providing for a 1-year extension of the Trade Agreements Act and imposing some safeguards upon the exercise of its powers, is at least a step in the right direction, and would be much more acceptable to the Federation than a 3-year extension without safeguards.

The Tariff Commission in exercising the powers that would be conferred upon it by H. R. 6556 should be responsible only to the Congress, and should not be subject to control or influence by the executive branch of the Government. I recognize how hard that is. Even in the twenties, and I had many cases which I handled before the Tariff Commission at that time, when it was supposed to be responsible to the Congress, Mr. Chairman, the Tariff Commission was really very much in the control of the Executive.

I think that can be cured by the proper type of legislation so it will have at least as much independence as the Federal Trade Commission today has.

It should exercise its powers in a judicial manner, as an impartial fact-finding body. If that is done, the Commission could be relied upon, and it would soon win the confidence of the public.

Unless it does operate in such a manner, it should promptly be relieved of its duties under H. R. 6556 and some new safeguard should be provided in its place.

If the Trade Agreements Act is to be extended, the extension should not be for a longer term than that provided by H. R. 6556.

This is an election year, and it may be just as well not to consider the merits of the act itself at this time. A temporary extension with appropriate safeguards will carry the act beyond the election, after which it can be considered on its merits in a more impartial and less political atmosphere. If the act is to be continued, the length of the extension and the modifications to be made in the provisions of the act can better be decided after the outcome of the election is known. There may be in the election returns some indication of the will of the people. It would seem appropriate, too, that the wishes of the President who will serve after June 30, 1949, should be considered before a determination is made as to whether the act should be continued beyond that date, and if so, upon what terms.

We believe that Congress should make a careful study of the Trade Agreements Act and its administration. Such a study cannot be made now in the closing days of this Congress.

The Federation is not opposed to international trade, nor to the expanding and developing of such trade.

However, we do not think it is necessary for Congress to abdicate completely to the State Department all power over international trade agreements in order to promote international trade.

Nor do we believe that the broad general principle of promoting international trade should be used as a subterfuge by the State Department to commit the United States to international trade organizations without the approval of Congress.

We do not think the State Department, in administering the Trade Agreements Act, has given reasonable consideration to the wishes and welfare of the American farmer. Although hearings have been held on various questions, the arguments of the farmers have fallen on deaf ears.

Senator LUCAS. You are speaking primarily of the dairy farmer when you say the American farmer?

Mr. HOLMAN. Naturally; I am speaking primarily of our own people.

Senator LUCAS. The other farm organizations are definitely on record for this bill.

Mr. HOLMAN. Yes. There are some organizations, though, that are not on record for it, such as the western catlemen and the western woolmen.

Senator LUCAS. I am talking about the three main farm organizations.

Mr. HOLMAN. They are in a very peculiar position, because they represent all kinds of farmers in all kinds of sections, and they generally get themselves stymied as to policy because of that fact.

Senator LUCAS. You fellows never get stymied.

Mr. HOLMAN. Fortunately, no. We have our troubles, but we rarely get stymied. I am just the hired man for these people.

Senator LUCAS. I know, and a very good man.

The CHAIRMAN. Mr. Goss of the Grange appeared against it in the House.

Mr. HOLMAN. I am advised that he did, sir.

We have yet to find either sympathy or consideration for the farmer in the State Department.

The CHAIRMAN. I mean Mr. Goss appeared against the Reciprocal Trade Act, as I understand it.

Mr. HOLMAN. That is my understanding, sir. I might say the membership of the National Grange and the membership of the National Cooperative Milk Producers Association, in this, if checked, would be about 60 percent interlocking.

The action of the President and the State Department in binding the United States to the General Agreement on Tariffs and Trade justifies the Congress in terminating the broad powers heretofore granted under the Trade Agreements Act. The act was originally designed to permit negotiations for adjustments of tariffs. Now its broad terms have been used to bind the United States to a new international organization—a "little ITO." This has been done in the very face of criticism and protests in Congress against the ITO and directly contrary to the promises of the President and the State Department to the effect that we would not be committed to the ITO without the prior approval of Congress.

Senator BARKLEY. Are you speaking of the agreement entered into at Havana?

Mr. HOLMAN. No, sir; I am speaking now of the agreement entered into at Geneva.

Senator BARKLEY. The final agreement at Havana must be ratified by Congress.

Mr. HOLMAN. That is true, sir, but in the agreement ratified at Geneva most of the substance of the Havana charter was incorporated and agreed to and signed by about 23 nations.

Senator BARKLEY. It is in the form of a trade agreement which becomes effective when each of the countries adhere to it.

I think now only 9 or 10 of the 23 have adhered to it.

Mr. HOLMAN. That is the Havana agreement you are referring to?

Senator BARKLEY. No; the Geneva agreement.

Mr. HOLMAN. Yes.

The CHAIRMAN. Your point, Mr. Holman, is that at Geneva they signed this multilateral trade agreement which imports into the United

States the substance of ITO, but insofar as the trade agreement is concerned, they do not have to come to Congress for consent but they recognize they must come to Congress for consent in ITO.

Therefore, by this indirection they have put the substance of ITO into effect.

Mr. HOLMAN. With this limitation: That in the Geneva trade agreement they did not go quite so far as they have gone in the Havana proposal. But in the signing of this agreement when, as and if it is ratified by the various nations of the world we are in it because they don't have to go to Congress; our State Department doesn't. It is already signed up.

The CHAIRMAN. It has been suggested that under the Reciprocal Trade Agreements Act there is no authority for the general provisions in the Geneva multilateral treaty to which you refer.

Mr. HOLMAN. I see.

The CHAIRMAN. The State Department is giving us a 2-page brief on that.

(The brief mentioned will be found on p. 470.)

Mr. HOLMAN. The Federal Constitution vests in Congress the power to legislate concerning international commerce, and reserves to the Senate the right to approve or disapprove international treaties. These important powers are vested in Congress because it is the representative of the people in our three-point system of government. The people have a right to insist that Congress perform these functions and not delegate them without reservation to the executive branch of the Government.

Congress must answer to the people for these trade agreements, and it will not be a sufficient answer to say that this power has been delegated to someone else without reserving control over it. In other words, to be quite frank, Mr. Chairman, our people feel there has been an abdication by Congress of its constitutional duties in the enactment of the Trade Agreement Act of 1934, and that if such a method is to be used in the future it should only be used after the Congress has proposed to the people a constitutional amendment.

We feel that any of these methods of delegation whereby ratification or approval does not come back to Congress is just a subterfuge for getting around congressional responsibility. I am being perfectly frank. That is the way our people have felt about this for several years.

This will be particularly true if the Congress should now renew the act without full and adequate safeguards after being warned of how far the State Department will go if unrestricted.

That the State Department will not observe the wishes of Congress unless forced to do so by limitations in the act is well demonstrated in the General Agreement on Tariffs and Trade.

For example, there has been much doubt expressed in Congress over the wisdom of setting up an international trade organization such as the ITO. It was generally stated and understood that the United States would not be committed to such an international organization without the approval of Congress. Yet, as indicated above, we have been bound for a period of 3 years to such an organization through the General Agreement on Tariffs and Trade (art. 25, vol. 1, p. 58, General Agreement on Tariffs and Trade).

Not only have we been bound for a term of 3 years to a "Little ITO," but we have also been committed to observe for 3 years, to the fullest extent of our executive authority, the general principles of the ITO draft charter (art. 29, vol. 1, p. 62, General Agreement on Tariffs and Trade).

Without the approval of Congress, we have been signed up and bound to an agreement which provides that "on the day on which the charter of the International Trade Organization enters into force, article I and part II of this agreement shall be suspended and superseded by the corresponding provisions of the Charter" (art. 29, par. 2 (a), p. 62, vol. 1, General Agreement on Tariffs and Trade). Included in part II are provisions dealing with internal taxes on imported products, the two-price system for encouraging exports, import and export controls, sanitary requirements for imported food products, and the imposition of sanctions in the form of trade discriminations against any member who does not comply with the letter and spirit of the applicable provisions of the ITO Charter.

In hearings before this very committee the provision of the ITO draft charter requiring observance of the spirit of the Charter as well as of its express provisions was criticized by members of this committee. Disregarding this criticism, the State Department has bound us for a period of 3 years to the General Agreement containing substantially the same provision (art. 23, par. 1, p. 54, vol. 1, General Agreement on Tariffs and Trade).

In the same hearings before this committee the section for the draft charter for the ITO providing for only one vote for each member regardless of size or volume of trade was soundly criticized by members of the committee.

In spite of this criticism, the State Department has bound us for a term of 3 years to a "Little ITO" in which each member has only one vote regardless of size or trade volume (art. 25, par. 3, p. 58, General Agreement on Tariffs and Trade).

In view of its actions in the past, how can the State Department now face this same committee and demand that it be granted a further extension of unrestricted power?

The CHAIRMAN. Mr. Holman, you, of course, have caught the point that while we have the right to delegate to an agency of our own some of our powers in this field, it is very questionable whether that agency in turn has the right to delegate its delegation to some international organization.

Mr. HOLMAN. Exactly. That is one of our grievances in connection with this problem, Senator.

Why is it so necessary to the State Department program that Congress not be permitted to review its agreements nor even to know what is in them until after we have been signed up and bound?

Is the State Department asking, in effect, for unlimited power to execute agreements which it fears Congress would disapprove if it should see what is in them before they are signed?

After what has happened in the past, we think it is high time that Congress know what is in such agreements, before they are permitted to go into effect.

For these reasons we urge you not to extend the act now for more than a temporary period; that no substantial extension be made until

after a thorough study of the act and its administration has been made, and that no future trade agreements be permitted to become binding on the United States unless they have first been submitted to and reviewed by the Congress.

That ends my direct statement, sir.

Senator LUCAS. You would favor the complete repeal of the Reciprocal Trade Act, would you not?

Mr. HOLMAN. That is the position of our organization, the result of two resolutions which are appended to my testimony here. One was passed by the St. Louis delegate body and the second was by the executive committee in Chicago interpreting the force and effect of resolutions under the conditions we faced.

Senator GEORGE. Without arguing the question, Mr. Holman, as to whether you are right or wrong in advocating repeal, you are to be complimented on your frankness.

Mr. HOLMAN. I thank the Senator.

Senator GEORGE. In saying that you do favor straight repeal of the act you are to be complimented. You therefore favor the House bill because it moves in that direction?

Mr. HOLMAN. That is correct, sir.

Senator GEORGE. That is your position?

Mr. HOLMAN. And if we could go further, we would like particularly to get the right of court review into the act. Since 1934 we have been unable to go to court for redress.

Senator LUCAS. Of course, if this act were repealed in its entirety, we would automatically return to the rates of the Smoot-Hawley Tariff?

Mr. HOLMAN. That is right, sir.

Senator LUCAS. That is what you would like to see done.

Mr. HOLMAN. We like that better than the present method.

Senator LUCAS. Let me ask you this question—

Senator BYRD. Did you say you would return to the rates of the Hawley-Smoot bill passed in 1930? Would they be still operative? Is that correct, Mr. Chairman?

Mr. HOLMAN. My position, Senator, is not that we necessarily return to the rates, but that we return to the method. I thought we were discussing the method of trade relations rather than the particular rates. The rates might be higher and they might be lower.

Senator BYRD. If we should refuse to continue this present plan, then the rates that are now in the law, would then become operative; is that correct, Mr. Chairman?

The CHAIRMAN. Except as they have been bound by existing trade agreements.

Senator GEORGE. After the expiration of the existing agreements, it would revert back to the rates; yes.

Mr. HOLMAN. Every one of the agreements that I have examined presents provision for a 3-year basic agreement with permanent continuation, except that each of the contracting parties may, upon 6-months' notice after the first 3 years, terminate it.

Senator GEORGE. That is right.

The CHAIRMAN. Mr. Holman, I invite your attention to the fact that there is nothing in this bill from which it would follow inevitably that there would be a repeal of the Reciprocal Trade Agreements Act.

Mr. HOLMAN. That is correct, sir, according to our interpretation.

The CHAIRMAN. It extends the reciprocal Trade Agreements Act and imposes restrictions on the power of the President and sets up a new agency of presumed usefulness in the matter with the power of congressional review. It cannot be argued, I suggest, that if you pass this act, the next act we pass must be repeal of the reciprocal trade system.

Mr. HOLMAN. Not at all, Senator. I think probably the time has come, as I have said in my formal statement, for a real review of the situation.

Senator LUCAS. Does the distinguished chairman contend that this bill does not point in that direction?

The CHAIRMAN. I would say it does not in any particular point to that.

Senator GEORGE. It does not, necessarily.

The CHAIRMAN. It does not necessarily point to it.

Senator GEORGE. But Mr. Holman was frank enough to say he favored this bill because it did move in that direction, so far as the limitations and restrictions were concerned.

The CHAIRMAN. He did say that, Senator.

Mr. HOLMAN. I am frank to say it is a move toward Congress assuming a little more responsibility than it has in the past.

Senator GEORGE. I understood you and complimented you on your frank statement.

The CHAIRMAN. The Chair was merely suggesting that, regardless of the motive of the gentleman for favoring this bill with reluctance, there is nothing in the bill that requires the further step of the repeal of the reciprocal trade system.

Mr. HOLMAN. That is correct, Mr. Chairman.

We not only favor the bill, but we are all-out for its passage. We will do everything we can to secure the passage of the House bill.

The CHAIRMAN. What you have said suggests to all of us that unless we want the reciprocal trade system to fall we had better evolve a bill that can pass the Congress, and the responsibility for its failure if it does not pass the Congress will be on those who impose conditions that can't pass the Congress.

Mr. HOLMAN. That is correct, sir.

Senator LUCAS. That might be the advocates of this bill. That is where the responsibility might lie in the final analysis of the American people.

Mr. HOLMAN. That is true.

Senator LUCAS. May I ask this one question, Mr. Holman: Are you familiar with the magazine known as the American Milk Review?

Mr. HOLMAN. It comes to our office, but I have not seen a copy of it for 2 or 3 years. We have about 150 to 200 papers.

Senator LUCAS. Is that all they have?

Mr. HOLMAN. We have about 150 to 200 papers that come into our office.

Senator LUCAS. Are you familiar with any of the people who manage and operate that magazine?

Mr. HOLMAN. I don't know a single one of them.



Senator LUCAS. Do you know what they said about the Geneva agreement?

Mr. HOLMAN. No, sir.

Senator LUCAS. I do not suppose it would make much difference to you, but I thought perhaps for the record we should probably read this in. In their editorial on January 1948, they said this, under the caption "The Geneva Agreement:"

We cannot agree with those in the dairy industry who view the cuts in our duties on dairy products with alarm. We do not believe that the reductions, even in butter, will affect the domestic market in this country any more than a BB gun would affect a General Sherman. Our dairy business is a big industry. It is one of the largest, if not the largest industry in the world. And do not get the impression that the arrived-at pacts were all given on the part of this country and its dairy field. It reflected horse trading all down the line, and if this Nation made concessions it received offsetting concessions in return.

A great deal has been said from time to time about industrial leadership. Perhaps even more has been said about getting Government out of business and the bureaucrat out of the market place. A lowering of tariffs and the reduction of governmental fetters on international economic intercourse are steps in that direction. If the dairy industry is to take its rightful responsibility of leadership, then it must lead as a part of the whole and not as a self-centered battalion that marches alone.

Along with millions of other men, your editor has seen two wars in 30 years. Your editor has also seen with his own eyes the awful explosion of two atomic bombs. Your editor has, therefore, little patience with those who would cry before they are hurt—who would sacrifice one of the first concrete measures for international accord on the altar of a fancied ill.

I read that because you are basing all of your testimony in speaking on this and in speculating on what the future holds forth for the dairy industry.

You practically admitted there has been no serious injury or threatened injury to the dairy industry in the last 13 years.

Mr. HOLMAN. I would like to qualify your statement as to what my position has been here. There are two phases to my position under the direction of our people.

Senator LUCAS. I know what your position is. You made it very clear.

Mr. HOLMAN. Primarily, in this testimony I am discussing methods of the United States dealing with the foreign-trade problem.

Senator LUCAS. You are discussing——

Mr. HOLMAN. Irrespective of injury.

Senator LUCAS. That is all right. I can understand how you could have a valid objection from that angle, but what I have been talking about primarily is the injury to the dairy industry in my cross examination of you, and you practically admitted to me that there has been no injury or even threatened injury during the last 13 years to the dairy industry.

What you fear is a future injury which may transpire in years to come. That is highly speculative.

Of course, this article goes ahead and says this:

As far as the dairy industry is concerned the agreements will probably not make a great deal of difference. Contrary to some outspoken opinion the agreements will not "knock the props from under the American dairy farmer." It is doubtful that the dairy farmers of the Nation will even know that the agreements have been effected unless they read about them.

Mr. HOLMAN. That is the opinion of one man.

Senator LUCAS. That is the opinion of, apparently—

Mr. HOLMAN. That opinion runs contrary to the trading experience of our own organizations, all of which are business organizations, which deal every day in the week with the problems of pricing and marketing.

Senator LUCAS. I appreciate that. This is an editorial speaking for the American Milk Review, which undoubtedly goes principally to the dairy farmers of the country.

Mr. HOLMAN. It is my understanding it is a trade paper rather than a farmers' paper.

Senator LUCAS. It may be.

Mr. HOLMAN. Hoard's Dairyman is the farmer's paper.

Senator LUCAS. I imagine some dairymen get this.

Mr. HOLMAN. I think it is mostly an office publication; that is, a publication for people who work in offices, like myself.

Senator LUCAS. You ought to be very familiar with it, then.

Mr. HOLMAN. Mr. Sherman, one of my assistants back here, is quite familiar with it, but doesn't find it interesting enough to read very often.

Senator LUCAS. I can imagine that you wouldn't find something like that interesting.

Mr. HOLMAN. If I had known this was in there I would have read it very carefully before I came up here.

The CHAIRMAN. The appeal of the editorial seems to be that you are crying before you are hurt. What is the sense of crying after you are hurt? The point of crying is to keep from getting hurt.

Mr. HOLMAN. Senator, we know the time is coming when we are going to be hurt by this policy.

The CHAIRMAN. Any further questions?

(The resolution presented by Mr. Holman follows:)

#### REGULATING OUR INTERNATIONAL TRADE

Resolution Passed by Thirty-first Annual Convention of the National Cooperative Milk Producers Federation in St. Louis, Mo., November 5, 6, 7, 8, 1947

The National Cooperative Milk Producers Federation has always regarded our international trade relations as being of utmost importance to agriculture. This is because dairy farmers depend almost entirely upon domestic markets. In terms of whole milk equivalent our imports and exports of dairy products have been about equally balanced, although both represent a very small percentage of the total dairy production of the United States. Because the principal outlet for our dairy products is the domestic market, preservation of that market is a foremost necessity.

Shortly after the First World War imports of storable dairy products and vegetable oils bore severely upon the dairy industry. This caused a break-down of dairy prices and threatened disaster to dairy farmers. Relief was sought and obtained by a series of congressional tariff enactments ranging from the Emergency Tariff Act of 1921 to the last permanent Tariff Act of 1930.

A foreshadowing of what was to come occurred in 1934, when Congress enacted the Trade Agreement Act, by which it delegated its tariff-making powers to the President of the United States. This law provided no congressional rule to guide and direct the President with respect to his tariff powers. It limited him only to changes in duties by 50 percent of any existing tariff rate. It permitted also the binding of any article on the free list, and the freezing of any article on the protected list.

Since 1934, under this act, a number of trade agreements have adversely affected dairy farmers. The present policy of the administration, furthermore,

has been against legislation which would compel imported products derived from plant and animal life and intended for human consumption to meet the same sanitary standards that are imposed upon similar products from our own farms.

We are now on the verge of another step through which the State Department is driving us into new international entanglements. It may take many years of unpleasant consequences to extricate ourselves.

#### THE INTERNATIONAL TRADE ORGANIZATION

The International Trade Organization is in the making. Its basis is a series of some 70 bilateral trade agreements which were executed this year in Geneva, Switzerland. These were followed by the signing of a general master trade agreement, signed by 23 nations. Thus there has been laid the foundation for the erection of a super world-state which will take away from the American people important sovereign rights. It will put us into a position whereby with certain other nations joining the International Trade Organization we will combine to oppress nations which do not join. From nations within the International Trade Organization we ourselves will be subjected to oppressive tactics if the actions of our Government should not be acceptable.

The Federation recognizes the importance of the world trade situation and the desirability of cooperating with other nations in matters of world trade. However, we do not believe that the proposed International Trade Organization is the proper solution of the problem. For the following reasons we are opposed to the United States joining the International Trade Organization:

1. The Charter would vest in an untried and untested international organization broad powers over international trade, which could be used to affect materially the general welfare of the American farmers. There is no assurance that such an organization will operate effectively and fairly.

2. The charter contemplates the substantial reduction or elimination of tariffs and other import regulations, making no adequate provision for the fundamental differences that exist between nations in standards of production and living and in the availability and cost of labor.

3. Although necessary sanitary regulations would be permitted under the charter, the Organization would have the power to decide whether such regulations were in fact necessary. Sanitary regulations which operated to interfere with the trade benefits of other member nations would be subject to review by an international organization—even though such sanitary regulations did not violate the specific provisions of the charter.

4. The charter would seriously impair present and future farm programs designed to assure to American farmers a fair return for their products and to relieve American agriculture from burdensome surpluses.

5. The charter would set up a system of antitrust and fair trade practice regulations on a world-wide basis without adequately defining and limiting the scope of such regulations.

6. A tariff committee which would be set up by the charter would have powers out of proportion to the powers of the whole conference. This committee would act for the Organization in proceedings under article 17 of the charter. The committee could require member nations to enter into and carry out negotiations directed to the reduction of tariffs, and could impose sanctions against any nation which it concluded had failed to do so within a reasonable time. This committee would not be elected but would consist of all members of the Organization that had signed the new general trade agreement. The committee would not be subject to supervision by the Organization and no appeal has been provided from its decisions.

7. The provisions of the charter relating to private investment capital do not provide adequate protection for such capital. Under the proposed charter, investments made by American citizens in foreign countries could be taken over not only for the benefit of the foreign country but also for the benefit of the citizens of that nation. Although payment of just compensation for the property would be required, such payment would be made in the currency of the foreign nation and no adequate provisions are made for withdrawing such payment from the foreign country.

8. The discrimination contemplated by the charter against nonmembers of the Organization contemplated may tend to engender further unfriendly feeling toward the United States.

9. The International Trade Organization by providing for tariff regulations through an international organization rather than through Congress would remove the American people still farther from representation in such matters.

It is apparent that the administrators of the trade agreements and the sires of the International Trade Organization are driving this country nearer and nearer to a condition of free trade. It is also apparent that once the International Trade Organization is set up it will be most difficult for any one nation to withdraw from it. To do so would be to risk oppressive sanctions by all of the other nations that are members of the organization.

The conditions of the trade agreements program and the new relationships envisaged in the ITO will foster the dumping into this country of products from abroad and it will encourage seasonal imports from lands which have cheaper production costs.

For dairy farmers neither livable domestic prices nor foreign markets can be maintained unless there remains a reasonable protection against competitive products such as have been described.

We urge the Congress to save the domestic markets for domestic producers.

If trade agreements are to be continued as a national policy, they should be bilateral in character and ratified by the United States Senate. Rights of citizens to appeal to the courts should be restored and no agricultural products should be imported unless they carry duties that will equalize differences in costs of production at home and abroad, or at not less than the domestic wholesale selling prices.

MOTION OF EXECUTIVE COMMITTEE OF NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION, DECEMBER 18, 1947

On motion of Mr. Moscrip, seconded by Mr. Moomaw, and unanimously carried, it was resolved that the Federation go on record as opposing the extension of the Trade Agreements Act. It was recommended that further extension of the act be opposed on the ground, among others, that the new General Agreement on Tariffs and Trade, recently negotiated at Geneva, Switzerland, goes so far beyond the question of tariffs and the original intent of the legislation as to justify the termination of the authority heretofore granted to the President to negotiate trade agreements.

*Ad valorem equivalent of tariff rates on dairy products*

Product	Unit	Tariff rates, act of 1930	Ad valorem equivalent of specific rate		
			In effect January 1948	Act of 1930 <sup>1</sup>	In effect January 1948 <sup>2</sup>
Butter.....	Pound.....	14	3 7	38	8
Casein.....	do.....	5½	2¾	( <sup>3</sup> )	9
Cheese, cheddar.....	do.....	7	3½	61	9
Condensed milk, case.....	do.....	2¾	1¾	19	8
Condensed milk, bulk.....	do.....	2.53	1½	29	9
Cream.....	Gallon.....	56.6	6 20	( <sup>4</sup> )	5
Dried buttermilk.....	Pound.....	3	1½	-----	12
Dried whole milk.....	do.....	6½	3¼	25	7
Evaporated milk.....	do.....	1 8	1	23	7
Nonfat dry milk.....	do.....	3	1½	42	9
Whole milk.....	Gallon.....	6½	7 2	23	4

<sup>1</sup> Based on wholesale prices in the United States, average during 1930.  
<sup>2</sup> Based on average wholesale prices in the United States during April 1948.  
<sup>3</sup> On not more than 50,000,000 entered from November 1 to March 31 following of any year.  
<sup>4</sup> Not available.  
<sup>5</sup> But not less than 17½ percent ad valorem.  
<sup>6</sup> On not more than 1,500,000 gallons in any calendar year.  
<sup>7</sup> On not more than 3,000,000 gallons in any calendar year.

The CHAIRMAN. Dr. Martin, please?  
 Doctor, make yourself comfortable and identify yourself to the reporter.

**STATEMENT OF DR. ROBERT F. MARTIN, EXECUTIVE SECRETARY,  
VITRIFIED CHINA ASSOCIATION, WASHINGTON, D. C.**

Dr. MARTIN. Mr. Chairman, I am Robert F. Martin, executive secretary of the Vitrified China Association, Inc., 312 Shoreham Building, Washington 5, D. C., and I am appearing to offer some comments on the testimony of Mr. Clayton before this committee, and also before the House subcommittee since he appeared there last, which left no opportunity for rebuttal.

Mr. Clayton is a private businessman from the international cotton brokerage business—the greater the trade, whether it be for peace or war, the greater the brokerage.

Senator LUCAS. What do you mean by that?

Dr. MARTIN. I mean if you are in the brokerage business the larger the volume of trade, since your return is keyed to the volume of trade, so the larger your return.

Senator LUCAS. Is that a reflection on Mr. Clayton?

Dr. MARTIN. No, sir. I am just pointing out the fact he comes from a business that profits from an increase in trade regardless of the purposes or reason for the trade.

Senator LUCAS. Are you indirectly saying that that is the reason Mr. Clayton is for those treaties.

Dr. MARTIN. Oh, no.

Senator LUCAS. Go ahead.

Senator BUTLER. You are simply stating what you think is a fact?

Dr. MARTIN. That is correct.

Senator GEORGE. Is not Mr. Clayton a merchant? Is not the firm a cotton merchant?

Dr. MARTIN. That was my idea; Anderson & Clayton were cotton brokers or factors.

Senator GEORGE. Nothing but brokers?

Dr. MARTIN. I think he has some cotton interests if I recall correctly, in Brazil; if I remember correctly he went down to Brazil and started some cotton plantations down there and brought in some Japanese labor to run them to compete with the American cotton growers.

Senator GEORGE. You got that out of some magazine, I presume.

Dr. MARTIN. I will check that and submit the confirmed statement with all the sources to you. I have seen that in reputable sources.

Senator GEORGE. I would most respectfully ask you to check it and see if the Anderson & Clayton Co. are not really the greatest cotton merchants in the world.

Dr. MARTIN. I would accept that. I would say cotton factors or merchants. I think the same principle applies, that the larger the volume of business the greater is their business.

Senator LUCAS. I would say the greater the volume of business might indicate the larger the loss if they were not good merchants.

Dr. MARTIN. They have been very good merchants. I am an admirer of their merchandising ability, sir.

The CHAIRMAN. Those of us who know Mr. Clayton would not for a moment impute any personal motive of gain in his position.

Dr. MARTIN. Oh, no, sir.

The CHAIRMAN. As far as this matter is concerned.

DR. MARTIN. I am simply introducing this factor at the moment because all the way through in his testimony in the House each time Mr. Clayton referred to the testimony of some other witness, said "Now, remember, he is from a certain industry, and remember, he has a certain position," and so forth. So I think it is only fair to point out that Mr. Clayton also has some business interests.

SENATOR GEORGE. That is very true. He has a business that requires exports, if it is to be a large-volume business. He must have exports. He must have trade. I do not think that is any reflection on him or his firm.

DR. MARTIN. I will submit some references that I have on this operation in Brazil if I can locate them quickly.

(The reference is as follows:)

CURRENT BIOGRAPHY (1944 EDITION, P. 96)

Clayton, William L. (Lockhart): \* \* \* his accomplishments as a tremendously successful cotton broker \* \* \* before the day of the Hoover Farm Board, which attempted to peg falling cotton prices, his favorite hate was the tariff \* \* \* he is a free trader who opposes "meddling" with the economic machine in any way \* \* \* in the meanwhile foreign production, encouraged by the American cotton policy, has nearly doubled. Clayton himself has turned to South America, "where he taught the Brazilians to grow more cotton and gin it better." His firm also expanded its operations in Argentina and Paraguay, Clayton explaining in his testimony before the Senate Committee on Agriculture in February and March 1936 that this expansion was necessary to do business from Germany, since exchange conditions hampered it from carrying on trade from the United States. \* \* \* "The Clayton interests," according to PM, "contributed to an agricultural labor service in Arizona which functioned in an office adjoining the United States Employment Office and was found to have used the Government frank in circulating handbills promising farmers and farm workers prosperity in the Arizona cotton fields." Clayton was found in the ranks of the Liberty League, to which he contributed \$7,500 from 1933 to 1935.

Mr. Clayton is a private businessman, but represented the State Department when he appeared before this committee and the subcommittee of the House; he was on the State Department staff which negotiated the recent agreements, and is now an official private adviser of the Secretary of State. That is my only reason for mentioning him; my concern is with the official testimony.

In regard to the accounting for 14 years of delegated congressional power, it was expected that he would present an accounting of the State Department's stewardship of the extraordinary powers delegated by the President to it for 14 years under powers delegated in turn to him by Congress in section 350 (a) of the Tariff Act of 1930. In fact, since he has so frequently cited that act itself as the cause of a major portion of the world's economic ills, it was expected that Mr. Clayton would come to grips with what he says is his basic problem and recommend its repeal or some further crippling amendment of it.

Instead, he came into the inquiry demanding that no substantive change whatsoever be made in the existing amendment of section 350 of the act.

Mr. Clayton did not even bother to tell either this committee or the House subcommittee how much of its delegated and unreviewable powers to reduce duties the State Department, acting for the President, had already used up in the agreements already made. It fell to the lot

of unofficial witnesses to introduce official information on this score which showed that under the agreements the American tariff had been cut or bound on 98 percent of our dutiable imports from the agreement countries, and on 88 percent of our dutiable imports from all countries combined, agreement and nonagreement, including Russia.

This involved a free gift extension of reductions or bindings on 53 percent of our imports from countries with which we made no agreement at all.

In addition, of the other two-thirds of imports, which come in duty-free, 91 percent were bound on the free list. If any consideration was given to the probable effects on American industry and employment, and some legally possible reductions were not made on this account, there can be very little in the way of concessions left for trading purposes under an extension of the authority. The task of the Tariff Commission in the near future under the provision of H. R. 6556 would hence be very light.

What concessions did we receive in return? There are no tabulations comparable to the above for foreign countries with which we made agreements. At the House inquiry, the following was offered by an economist introduced by the State Department; and I quote:

MR. GEARHART. Do you think that our program has been successful in really eliminating barriers to trade?

DR. NORTHRUP. No, sir: I do not, but I think it is the only thing we have to continue to hope to make it successful. There are so many other barriers.

This from an advocate of unchanged extension after 14 years of complete authority.

What would be done under extended authority?

Now, what did Mr. Clayton say the State Department intended to do with the extended authority, if granted?

Aside from the claim that agreements would be made with some ERP nations not heretofore considered worthy of inclusion in our program during the past 14 years, and which account for under 5 percent of our trade, and have already received reductions free on over half our trade with them, Mr. Clayton volunteered no information. Under cross examination in the House, however, he mentioned a plan to pervert the authority and use it to bind the United States to principles anticipating the ITO, which the State Department is apparently trying to avoid bringing before the Congress. He said:

One thing we have in mind, not only for the other agreements but for some new agreements, is to bring them all into the multilateral agreement at Geneva \* \* \* we ought to try to get into one multilateral agreement as we did at Habana into a charter, and we ought to get all the countries that we can in that one multilateral agreement—with not only tariff reductions but the general conditions and statements and commitments as regards policies and principles in international trade.

Apparently from this statement, brought out only by cross examination, it is the plan of the State Department to use the trade agreements authority to obtain a world-wide agreement including the provisions of the proposed International Trade Organization, which it has not yet brought before the Congress for ratification. This would in effect institute the ITO without reference to Congress.

Mr. Clayton was on the horns of a series of dilemmas when considering the House proposal to delegate power to the Tariff Commis-

sion to fix upper and lower safeguarding limits. If he admitted that the Commission is not only capable of this but has in effect been doing it right along, he would weaken the stand for unrestricted power of the State Department to ignore the Commission's findings; if he expressed a lack of faith and bias in a bipartisan agency versus a group of agencies all responsible to one partisan head, he could not uphold the validity of the escape clause which is administered by the Tariff Commission.

I have set Mr. Clayton's statements on this score before the House subcommittee and before this committee, in parallel columns, as follows; they speak for themselves:

HOUSE INQUIRY, MAY 8, 1948

Question. You have complete confidence in the Tariff Commission as now constituted, have you not?

Mr. CLAYTON. Yes, sir; that is my experience.

SENATE HEARING, JUNE 1, 1948

Mr. CLAYTON. All sorts of pressure would, in addition, be brought to bear upon the staff of the Commission. No agency placed in such a position could avoid overcaution. \* \* \* Matters (of interest to) other agencies would be excluded from consideration. \* \* \* The Tariff Commission would go into cost of production, and that is a very poor basis to go on.

Senator LUCAS. What was the question there?

Mr. MARTIN. In the second case?

Senator LUCAS. Yes.

Mr. MARTIN. See, Mr. Clayton was just trying to indicate that it was not safe to put this power in the hands of the Tariff Commission.

Senator LUCAS. Why did you not set out the question that was asked of Mr. Clayton in the last case?

Mr. MARTIN. It was made in his prepared statement. There was no question preceding this.

Senator LUCAS. You just picked out something in his prepared statement that you thought was in line with this question that was asked in the House?

Mr. MARTIN. That is correct. I assure you that is not picked out of the context and misrepresented here. That is directly representative of Mr. Clayton's position.

Senator LUCAS. I would not expect it to be misrepresented. I presume that is exactly what he said.

Mr. MARTIN. That is correct; taken from his prepared statement.

Senator LUCAS. But you picked out one little paragraph and used that to answer a question or, rather, to challenge the statement that he made in the House.

That seems to me to be somewhat unfair unless you put the whole context in here so we would have an opportunity to look at it.

Mr. MARTIN. The whole testimony is available in the House inquiry record if you would care to check it.

Senator LUCAS. I do not care to check it.

Mr. MARTIN. I did not just want to make a general statement and leave it just as my opinion. I wanted actually to give some quotations.

Senator LUCAS. You picked out what you thought would satisfy you best.



Mr. MARTIN. I picked out what I thought represented Mr. Clayton's position at the House inquiry as compared with his position at the Senate hearing.

Senator LUCAS. He changes his mind every other day. I have noticed that.

Mr. MARTIN. Yes.

Question. Under the system as it has developed in the past 14 years, just what is the position of the Tariff Commission in our scheme of things now?

Mr. CLAYTON. Frankly, Mr. Chairman, I do not know. I just would not be able to answer that question.

Mr. CLAYTON. I know that they (the Tariff Commission) are charged with the responsibility of making investigations and collecting information having to do with tariff matters. \* \* \* Outside of that I just do not know what, in the present scheme of things, you could say their function of substance in the present situation is.

Mr. CLAYTON. At this same stage the Tariff Commission makes an analysis of the facts relative to the production, trade, and consumption of all products listed for possible concessions by the United States and as to the probable effect of granting a concession thereon. \* \* \* All of this material is carefully studied.

Mr. CLAYTON. Full Tariff Commission participation in every phase of the negotiation of trade agreements is one (existing) safeguard.

The Trade Agreements Act itself provides as follows:

\* \* \* and before concluding such an agreement, the President shall seek information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce, and from such other sources as he may deem appropriate.

The Congress that passed the original act put the Tariff Commission first among the agencies that it directed the President to consult before entering any agreement, yet Mr. Clayton was not seemingly aware until after H. R. 6556 was passed by the House a week ago that the Tariff Commission had any important function in the program. He had, however, discovered so much about the Tariff Commission by the time he appeared before this Committee last Tuesday, that he could declare that it would have to make extensive cost of production studies that would take years to complete before it could reach any conclusions, that it could not agree at all on any rates short of causing embargoes, and that if it did get the authority contemplated in the House bill, international chaos would result.

I have been around Washington for over 20 years, and have yet to hear anyone testify that anything but total chaos would result if a bureau's powers were controlled, transferred, diminished or abolished. Let us pass over these natural horror-scare exaggerations and get at the meat of the matter.

The facts are that the Tariff Commission made essentially the kind of determinations contemplated in the House bill in connection with the Geneva Agreement negotiations. I have here the 16 volumes of data which were made public. In addition, the conclusions for each commodity were set forth on blue sheets that were kept secret by the State Department. The Tariff Commission has done this kind of job before and can do it again.

The CHAIRMAN. Just a minute. Is there anybody here from the Tariff Commission?

Mr. BEN DORFMAN (chief economist, Tariff Commission). I am, sir. The CHAIRMAN. Did blue slips accompany your analysis-making conclusions and recommendations?

Mr. DORFMAN. I could not say as to what.

The CHAIRMAN. Will you find out and let us know?

Mr. DORFMAN. I will be glad to.

The CHAIRMAN. The burden of the testimony so far has been that you contented yourself with setting out digests of facts, but that the Tariff Commission abstained from making recommendations.

Mr. DORFMAN. I will be glad to get that information.

The CHAIRMAN. This is a very important statement, if correct.

Mr. MARTIN. If I may comment there, those blue sheets, it is my understanding—I have not seen them, but I have been informed about them—were not in the nature of conclusions of the Tariff Commission acting as a commission. They were simply in the nature of statements by staff members as to the probable limits below which injury would be incurred, and that sort of thing, what would happen if the tariff were cut 25 percent or cut the full 50 percent allowed. In other words, they were analyses of probable effects. They were not the establishment of minima by the Tariff Commission acting as a commission.

The CHAIRMAN. Then what was the theory for putting those blue slips into circulation?

Mr. MARTIN. To give the administrators of the program in the Government information that was not made available to the public.

The CHAIRMAN. What about this: Was it done with the knowledge of the Tariff Commission?

Mr. MARTIN. Yes.

The CHAIRMAN. With the consent of the Tariff Commission; is that right?

Mr. MARTIN. Yes.

The CHAIRMAN. May we infer fairly that the Tariff Commission did not disagree with the recommendations that were on those blue slips?

Mr. MARTIN. I can't answer that, sir. I would prefer you ask someone on the Tariff Commission. My belief is that the Tariff Commission has in many cases not been acting as a commission.

For example, Mr. Ryder in conference several times has given his personal opinions as in his testimony before the committee not as the finding of the Tariff Commission acting as a commission.

The CHAIRMAN. What is the official status of those blue slips? Are they anonymous opinions of those in the lower echelons in the Tariff Commission or are they authoritatively to be considered by the State Department, or the Interdepartmental Committee, or by the country committees or by the actual negotiators? What was the purpose of those slips?

Mr. MARTIN. As I understand it, the purpose was simply to make available to the negotiators the opinions, conclusions and any confidential data that the expert himself in the Tariff Commission felt would be useful to the negotiators, but which were not to be made public.

The CHAIRMAN. Who is it? Who is the gentleman from the Tariff Commission? Will you identify yourself?

Mr. DORFMAN. My name is Ben Dorfman, Chief Economist of the Tariff Commission.

The CHAIRMAN. What do you know about this blue slip business?

Mr. DORFMAN. I have not been authorized to testify.

The CHAIRMAN. You are authorized right now.

Mr. DORFMAN. I meant to suggest by the Tariff Commission. I will be glad to answer your questions.

The CHAIRMAN. Then tell us what you know about this blue-slip business.

Mr. DORFMAN. I have very little to do with this particular matter, myself. I was not assigned to trade-agreement work at the time. I know there were data supplied along with the digests which are in front of you there for the confidential use of the negotiators.

I do not know to what extent that blue-slip material represented the views of the Commission as such.

The CHAIRMAN. Was the blue-slip material put out with the knowledge and consent of the Commission?

Mr. DORFMAN. It was put out with the knowledge and consent, but as to whether the Commission itself subscribed to everything on the blue slips, I do not know.

The CHAIRMAN. The purpose of the blue slips was to establish peril points?

Mr. DORFMAN. I doubt very much whether the blue slips went to that length.

The CHAIRMAN. What was their purpose?

Mr. DORFMAN. To supply confidential information for the use of the negotiators without making that information available to the foreign teams.

The CHAIRMAN. Would that confidential information contain the points beneath which cuts or concessions should not be made, or above which increases should not be made?

Mr. DORFMAN. I cannot say, sir.

The CHAIRMAN. Will you find that out for us, and get it to us as fast as you can?

Mr. DORFMAN. I will be glad to.

The CHAIRMAN. Go ahead, Doctor.

Dr. MARTIN. Mr. Clayton acknowledged that this had been done as to the probable effect of granting a concession thereon, as is indicated in the second quotation on June 1 shown above.

The CHAIRMAN. Of course, the information would indicate the probable effect of a cut, and it would be equivalent to telling you not to cut below a certain point; would it not?

Dr. MARTIN. It would be giving a warning, I should think; yes.

The CHAIRMAN. If you could see the effect would be injurious—

Dr. MARTIN. It would not necessarily be saying it is our judgment if you cut below this, such and such will result. It would not fix a point as an absolute minimum. It might say if you cut so much, then these things are apt to happen. If you cut so much, this is likely to happen, and so forth, and leave it to the judgment of the negotiators as to how far they want to go.

The CHAIRMAN. All right.

Dr. MARTIN. As I have previously noted, there is not much left to negotiate on during this year while a longer term policy is being

evolved, in any event, so the Commission's problems on this score will be limited.

As to comparative cost of production, the data that are needed for adequate approximations for this, as one of the general factors to be considered, can in these times be obtained in most cases from governmental sources here and abroad. In the pottery industry and the other handicraft industries where labor cost is the major element of cost, for example, wage level figures are already available for the asking in the principal producing countries.

Again, as to the perils of looking ahead by the Tariff Commission, which so disturbed Mr. Clayton, one finds it difficult to reconcile his complete faith that the Commission can determine when injury threatens in connection with the escape clause, but lack of confidence that it can determine when injury would threaten in connection with setting a minimum rate.

By the same token, it is difficult to follow his logic when he predicts prompt determination of prospective injury in connection with the escape clause, but interminable delay for the same thing in connection with determining a minimum rate.

All this does not alter the fact that he did not admit at one point that the Tariff Commission has been making just such determination all along, "as to the probable effect of granting a concession thereon". See second quotation on June 1 above.

Now, as to the Executive order and the escape clause itself, Mr. Clayton expressed confidence in this as the infallible safeguard to American industry, and finally expressed the view that no damage would be done our world reputation if the language of Executive Order 9832 were included unchanged in the extending act.

The CHAIRMAN. Dr. Martin, I think fairness requires it to be said that there could be at least a temporary purpose in keeping confidential the blue slips to which you refer, that there would be a sound purpose to keep them confidential at least until after the negotiations had been completed.

Mr. MARTIN. That is absolutely correct, sir. I was simply citing that to show that the Tariff Commission had been doing this kind of work that is contemplated under the House act.

Senator LUCAS. That is not what your statement implies.

Dr. MARTIN. I am sorry. What I meant to imply was simply that the Tariff Commission has been doing this kind of work, and that there is nothing really new contemplated in the nature of the work under H. R. 6556.

There are two reasons why reliance cannot be placed on the Executive order covering this clause as written. In the first place, it contains too many convenient escapes of its own. One of the three outstanding escapes within the order is in the clause—

If, as a result of unforeseen developments \* \* \*

All a Government administrator has to do is say that the development was foreseen, and that lets him out; if anyone asks him to prove it, he is sorry but the minutes of the meeting at which the matter was decided are confidential.

Anyway, the State Department and other agencies on the Inter-departmental Trade Agreements Committee have been relieved of this responsibility by a declaration of the Vice Chairman of the

Tariff Commission that under the existing Executive order: "It is clearly for the President, and no other authority, to determine whether the increased imports were the result of 'unforeseen' developments." Thus, before relief could be given, the White House would have to admit that something had happened that it had not foreseen.

If it does not choose to do this, however, there is another escape available to the President under the order, which says:

\* \* \* the Tariff Commission shall recommend to the President, for his consideration in the light of the public interest \* \* \*

This is much more high-sounding reason for not applying the escape clause and no doubt would be cited in preference to the "unforeseen" escape whenever the decision had been made not to use it because of political or diplomatic reasons despite the Tariff Commission serious injury report.

Secondly, I have tried to test out the sincerity and application of the factors set forth by the administrator of this clause. He has officially stated that one of the factors to be considered in determining injury to American industry was the question of whether or not the foreign country concerned had satisfactory alternative markets to those of the United States.

I asked the straight question, if injury had been proven on all counts, but a foreign country claimed that it had no satisfactory other market, would application of the escape clause be withheld in this matter on this latter account? The Tariff Commission Chairman referred to me to the President, and in response to my inquiry addressed to the President, Mr. Steelman wrote me a very cordial letter evading the question. I introduced this correspondence in the minutes of the House inquiry.

No. As written, the escape clause and Executive order contain too many easy escapes for the administrators to mean anything as a safeguard provision replacing those in the House act. Mr. Clayton was giving up no real discretionary powers of the administrators when he finally conceded that this might not lead to chaos, if included unchanged in the act.

The CHAIRMAN. Dr. Martin, could you suggest a revision of Executive order 9832 to make it suitable for inclusion in the bill we are considering to carry out Mr. Clayton's suggestions?

Dr. MARTIN. Yes. I have the order here. The revision that would be required would come in paragraphs 1 and 2 of part I of the order.

I would suggest striking out "of unforeseen developments" and replacing that phrase by "in part."

Then further along in paragraph 1 I would eliminate "to be free to." Then in paragraph 2, I would eliminate "of unforeseen developments and" replace that with "in part."

I would also eliminate "for his consideration in the light of the public interest" and put in "who will thereupon order," then in place of "recommend" I would put "report."

I can write this out for the reporter, if you would like.

(Dr. Martin submitted the text of paragraphs 1 and 2 of part I of Executive Order 9832 (issued Feb. 25, 1947) revised according to his suggestions, as follows:)

1. There shall be included in every trade agreement hereafter entered into under the authority of said act of June 12, 1934, as amended, a clause providing

in effect that if, as a result in part of the concession granted by the United States on any article in the trade agreement, such article is being imported in such increased quantities and under such conditions as to cause, or threaten, serious injury to domestic producers of like or similar articles, the United States shall withdraw the concession, in whole or in part, or modify it, to the extent and for such time as may be necessary to prevent such injury.

2. The United States Tariff Commission, upon the request of the President, upon its own motion, or upon application of any interested party when in the judgment of the Tariff Commission there is good and sufficient reason therefor, shall make an investigation to determine whether, as a result in part of the concession granted on any article by the United States in a trade agreement containing such a clause, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles. Should the Tariff Commission find, as a result of its investigation, that such injury is being caused or threatened, the Tariff Commission shall report to the President, who will thereupon order the withdrawal of the concession, in whole or in part, or the modification of the concession, to the extent and for such time as the Tariff Commission finds would be necessary to prevent such injury.

The CHAIRMAN. I might say I have tried to secure the elimination of that from that order at the time the order was being considered, for obviously if the test is no injury, then it does not make any difference whether the injury is foreseen or unforeseen.

Dr. MARTIN. And it should not make any difference whether the foreign country concerned feels that it has satisfactory alternative markets.

I think the crux of the matter is injury being caused. What the foreign countries think about it is not really pertinent.

The CHAIRMAN. Of course, it makes it very clear that injury is at least not the exclusive test.

Dr. MARTIN. In conclusion, I offer the opinion, based on years of intimate knowledge of the workings of this act from its inception, that the amendments included in H. R. 6556 will in no way weaken our influence in the world, but rather help keep us strong at home while we are helping other nations of the world back on their economic feet.

The CHAIRMAN. Any questions?

Senator GEORGE. Yes; I would like to ask Dr. Martin one question.

You referred to Mr. Clayton's business and his operations. Just what is your association, Dr. Martin?

Dr. MARTIN. Mr. Clayton was very insistent on getting that in the record in the House inquiry, although I identified my association then, as now. I am the executive secretary of the Vitrified China Association, which represents the chinaware producers of the United States.

Senator GEORGE. Do you have tariffs?

Dr. MARTIN. Yes, sir; we are very much concerned over the tariff because our labor costs in household chinaware are 75 percent of our total costs. It is a handicraft industry. So, when we are in competition with the United Kingdom, with a pottery wage one-third of ours, and German and Czechoslovakian wages a quarter to a fifth of ours, and Japanese wages which are one-tenth of ours, particularly where our wage cost is such a terrifically high proportion of our total cost, of course, we need protection. We have to pay, and believe in, the United States minimum wage. At present the minimum common labor wage in our agreement with the union is \$1 an hour.

Senator GEORGE. What is your prevailing tariff rate now?

Dr. MARTIN. It just recently has been changed by the Czechoslovakian agreement recently signed. There are three price classifications. The highest priced classification tariff has been cut a little over 50 percent, from a rate of 70 percent and 10 cents a dozen, to 35 percent.

Senator GEORGE. Seventy percent ad valorem?

Dr. MARTIN. That is correct, based on foreign value however, not American selling price.

Senator GEORGE. Plus so much per piece?

Dr. MARTIN. Yes, sir; 10 cents a dozen. This also was cut 50 percent in the agreement with the United Kingdom under the Geneva arrangement. Then the medium-priced bracket was cut about 35 to 40 percent in the agreement with Czechoslovakia, signed by us after that country had gone behind the curtain.

Senator BUTLER. Would this agreement originally made with Czechoslovakia under the most-favored-nation clause be applicable all over?

Dr. MARTIN. Yes, sir; we are very much concerned at the present time that the Japanese china will come in under that rate. I believe the purpose of the negotiators was perfectly correct and proper and praiseworthy. That is, they tried to leave the tariff as is for the Japanese product. In Japan girls are sold to the manufacturer, or rather, rented to him, at the age of 8 to 10, and they must live in dormitories on his property, and they cannot leave the factory or dormitory property without his consent. They are to labor for him in any way he wants until they reach 18 or 20, when he is supposed to turn them loose as individuals again. In England they have child labor as well as a wage rate in the potteries that is about a third of ours. We are very much concerned over the comparative labor costs. That is the matter that worries us in the china industry.

As a matter of fact, I have had this up with the Tariff Commission a number of times. The industry is only concerned in equalizing the labor cost. If that single factor can be equalized and still we can't compete, then we are not economic enough to continue, and I think there is justification for saying that we should go out of business.

The CHAIRMAN. Do you have a machine advantage?

Dr. MARTIN. Very little. The British have been using American equipment. In fact, Wedgewood put up an entirely new plant with entirely modern equipment during the war. The Army has had a couple of American ceramic engineers in Japan modernizing their production there, and we are loaning them the money to buy the equipment to modernize their plants also. Our American occupation authorities of course are acting not for the direct purpose of giving us an unfair competition, but rather to get production going over there so that the potteries products can be shipped to this country to get dollars which they want to offset against the occupation costs.

The CHAIRMAN. There is quite a little criticism of the bill on the ground, which is not mentioned in the bill, that the Tariff Commission would study costs of production. Your testimony indicates that that is a very relevant field of inquiry.

Dr. MARTIN. Yes, sir. It is only one factor to be taken into account, but particularly where you have a very great difference, as in the case of the industry with which I am connected at the present time,

in strictly labor costs, that certainly should come into account as a factor. But it is not difficult to determine. We have an industry-wide bargaining agreement with the union. The rate is uniform through all the plants. In England the British Pottery Federation has an agreement with the union there. The rates are uniform. It is not difficult to get the data to base a judgment on.

The CHAIRMAN. The stock argument of those who are in favor of the system as it is that our technological facilities are so advanced that they more than offset the difference in labor costs. I gather from what you say that that certainly is not true in some industries and perhaps might be true in others.

Dr. MARTIN. That is correct. In the mass production industries there is no doubt that it is true, but when you come to the so-called handicraft industries where the labor cost is the crucial item of cost, there definitely the superiority of the relatively unimportant machine is not an offsetting factor.

The CHAIRMAN. Are there any further questions?

Senator LUCAS. Yes; I should like to ask some questions. I am very glad to get this last information. I expected the witness to give us in the manuscript some information on how his industry had been injured, but apparently it was a sort of feud with Mr. Clayton all the way through. I am glad to get these last questions on the record.

Dr. MARTIN. I rather felt that this kind of detailed information was the type of thing that the Tariff Commission, the State Department, the Committee for Reciprocity Information, and others concerned with the program would consider, and that this committee was concerned more with policies and commentaries on what had gone into the record here. My concern with Mr. Clayton was only as he reflected State Department positions with which I disagree. I admire him personally, though I disagree with him in the matter we have been discussing.

Senator LUCAS. Your manuscript would make a very good argument on the floor of the United States Senate for a Senator who favors your position. I can understand how he might be able to use that argument very well. I had hoped you might give this committee some information on how your industry has been injured as a result of these reciprocal trade agreements, but I find nothing in your manuscript that does that. Can you give us some information about that?

Dr. MARTIN. We are at present preparing a document for submission to the Tariff Commission concerning the injury that is occurring at the present time. Up to just recently the shortage has been so great, and we have had wartime conditions, and so forth, and we have not been injured. We are beginning, however, to feel the impact very badly of imports from the United Kingdom and Japan. Japan is coming up very rapidly.

Senator LUCAS. What is the import in this country that affects you?

Dr. MARTIN. Recovery there has been so rapid that our imports at the present time are larger than they were prewar.

Senator LUCAS. What are the particular items? What is the type? What articles are coming in here that affect you?

Dr. MARTIN. China, table and kitchen ware, covered by article 212 of the Tariff Act.



Senator LUCAS. Is not the great bulk of the total domestic production of all chinaware hotel or restaurant chinaware?

Dr. MARTIN. Yes, sir. That is, I should say, about four-fifths of the china, not including earthenware and semivitrified ware, just vitrified china itself.

Senator LUCAS. There has been no reduction in the tariff rates on that domestic production, has there?

Dr. MARTIN. We are not now concerned particularly over that because it is a commercial product and freight is very high on it. There has been a reduction on one type, but that has been unimportant to date.

Senator LUCAS. You say that is four-fifths of the production.

Dr. MARTIN. Our production is much more mechanized in that field because that is heavy commercial ware, than it can be in the household china field. The household china is much more an art and handicraft product.

Senator LUCAS. I understand that. You say this is four-fifths of the total production. I am just asking whether or not it is a fact that you still enjoy the same production under the general agreement as before, namely, 60 percent or 70 percent ad valorem, plus 10 cents per dozen pieces.

Dr. MARTIN. Not on bone china.

Senator LUCAS. I am talking about the nonbone hotel or restaurant chinaware, which you say is four-fifths of the production of your industry.

Dr. MARTIN. It is not four-fifths uniformly in every plant. There are some plants that make only household china. There are some plants that make only hotel china. So, you can't take an average statistic and say the plant can get along by producing four-fifths and let this one-fifth go. That is not so. There are some plants making solely household china, and unfair, cheap labor competition could drive them out of business.

Senator LUCAS. Can you name for this committee one plant that is making household china that has been injured by the reciprocal trade agreements program during the last 13 years?

Dr. MARTIN. We are just beginning to get injury now; yes, sir.

Senator LUCAS. That is not the question at all. Why do you not produce that for the committee so that we can have it here, rather than making an argument against Mr. Clayton?

Dr. MARTIN. You remind me of the man——

Senator LUCAS. I do not remind you of anything. Just answer my question.

Dr. MARTIN. I will answer your question this way, if you will allow me to answer it my own way.

A man was sitting beside a railroad crossing and he saw another man tied to the track. The train was whistling, coming down the track, and the man who was tied ther yelled, "Help, help." The man who was standing beside the railroad track said, "What are you worried about? You ain't been hurt yet."

Senator LUCAS. That is a very apt illustration.

Dr. MARTIN. We see this Japanese ware coming in here at prices that we cannot possibly touch. Its volume is increasing every month. As that volume increases, we are being hurt.

Senator LUCAS. Your domestic industry experienced an all-time high in sales in 1947. Is that not right?

Dr. MARTIN. That is correct, yes, sir.

Senator LUCAS. Yet you are just about ready to be run over by this train.

Dr. MARTIN. We are already having some orders canceled, advance orders for delivery 6 months or a year from now. Orders have to be put in ahead in this industry because so many special patterns are requested and have to be made up specially for the customer. We are experiencing some cancellations now because our customers say, "We can get them from Japan." That is just the beginning.

Senator LUCAS. It is pretty difficult for me to understand how anyone is being hurt when he had an all-time high sales record in 1947.

Dr. MARTIN. We are not complaining about 1947. We are complaining about the future.

Senator LUCAS. That is right. You are speculating on the future, although you have never been injured during the last 13 years under the reciprocal trade program.

Dr. MARTIN. The first agreement we made cutting the china tariff was made with the United Kingdom in 1939. War came in right after that. In fact, it was already going, I believe, in some parts of the Orient, like Manchuria. We have had no opportunity in all that time to see just what the results of these tariff reductions would be. However, we are now getting evidence of it.

Senator LUCAS. I regret that the witness cannot furnish some facts. I think this committee is interested in facts, and not in an argument here as to whether Mr. Clayton is right or whether he is wrong. If his industry has been injured, that is what I would like to find out. If this witness can submit any facts, I would like to have them, rather than a long-winded argument as to whether Mr. Clayton is right or wrong or whether Mr. Clayton has challenged himself a few times before committees.

Dr. MARTIN. We are not at war with Russia.

Senator LUCAS. You are at war with the State Department.

Dr. MARTIN. Let me say that on our part it is a defensive war; yes, sir. We are not at war with Russia, but we are not saying we have not been injured up to this point, and therefore we are not going to be injured in the future, and therefore let's forget it.

The CHAIRMAN. You hear the whistle.

Dr. MARTIN. We hear the whistle.

Senator LUCAS. Not very loud. It is away down the track.

Dr. MARTIN. We also know that that track has been laid right up to our front door.

Senator LUCAS. That is the reason that you had the greatest sales that you ever had in the history of your industry in 1947, because the track came right up to your door through the reciprocal trade-agreements program.

Dr. MARTIN. Because that program was so overshadowed by world-shaking events, we have not been hurt yet, that is correct, but we know what is coming.

Senator LUCAS. All right, let us go back to 1932 and the Smoot-Hawley tariff. You were in great shape back there in 1932.

Dr. MARTIN. I don't advocate that.

Senator LUCAS. I thank you for that. I am glad to hear that. Some people seem to want to go back there.

Dr. MARTIN. Not a bit.

Senator LUCAS. The chinaware boys do not, and that is very commendable.

Dr. MARTIN. It is purely self-interest. Don't commend us for it.

Senator BUTLER. If we do not hear the whistle, though, and maintain our national income, we are likely to be back there, are we not?

Dr. MARTIN. We certainly are.

Senator LUCAS. You fellows from Nebraska and the prairies know that it takes a long time in the great open spaces.

Dr. MARTIN. I am not particularly sold on our new economic planning ideas. I recall that the Committee on Recent Economic Changes, which comprised the leading economists in the United States, reported to Mr. Hoover in 1928 and 1929 that economically we had a boundless field before us. He had no warning whatsoever of that, any more than Mr. Hull had of Pearl Harbor bombs when he was sitting in his office negotiating a trade agreement with the Japanese envoys at that very moment.

The CHAIRMAN. We are supposed to have 8,000,000 unemployed right now.

Dr. MARTIN. According to the planners; yes, sir; 8 to 12 million.

The CHAIRMAN. I suggest that we omit all of these diverting matters and resume our role at the whistle stop.

Dr. MARTIN. May I make one very brief statement which will take 1 minute?

The CHAIRMAN. Yes.

Dr. MARTIN. In 1930, a few years before he became dictator over trade agreements and during a discussion in Congress of the possibility of allowing the President to manipulate tariffs, Cordell Hull said:

It is entirely too much power for a bad man to have, and too much power for a good man to ask for.

The President on more than one occasion has proclaimed the necessity for continuing his power of life or death over domestic industries. The United States tariff barrel is almost empty now, and I emphasize that as the danger point is reached or passed, unchecked authority by one man, the President, is more than a bad one should have and more than a good one should ask for.

I thank you.

The CHAIRMAN. Mr. Besse, please.

Mr. Besse, will you make yourself comfortable and introduce yourself to the reporter?

#### STATEMENT OF ARTHUR BESSE, NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

Mr. BESSE. My name is Arthur Besse. I am employed by the National Association of Wool Manufacturers. I am urging the passage of H. R. 6556. This bill has been carefully considered by the Ways and Means Committee and should be passed by the Senate in the same form as approved in the House.

I confess that I am disappointed that Congress has not seen fit to give consideration to a comprehensive long-term foreign trade program. However, in the press of other business, this has not seemed possible and as an interim measure, pending the time when the International Trade Organization Charter receives the attention of Congress, this bill has much to commend it.

I am going to speak a good many times of Mr. Clayton. I would like to say I have the highest respect for Mr. Clayton. I mention him only because he is the official State Department spokesman.

Mr. Clayton does not believe I should appear in opposition to his particular brand of trade agreements extension. He has so stated. Mr. Clayton has pointed to the profitability of the wool textile industry in 1946 and 1947 as a reason why my testimony should be disregarded. He states that our industry is prosperous, is on a export basis, and can compete with others in the markets of third countries. Presumably this indicates that we should welcome a further cut in United States tariffs, even though this prosperity turns out to be a temporary matter.

Mr. Clayton contrasts our more recent profit record with 1938 when the industry lost a substantial amount of money. Mr. Clayton forgot that it was in 1938 that the first cut in the duty on wool fabrics was negotiated with Great Britain. If tariffs are lowered when we lose money, despite our difficulties, and lowered when we make money, because of that fact, it is obvious that there can be no circumstances which, in Mr. Clayton's opinion, would not justify reductions. The changes are always to be downward whatever the current circumstances.

While, as I have already said, I would have wished that Congress could have given consideration to a long-range foreign trade program, I feel that I want to speak in favor of the proposed bill H. R. 6556 because of the completely unsupported attacks made on that bill by Mr. Clayton and other administration spokesmen. Mr. Clayton's objections to the bill, in my opinion, are without merit.

The bill has been attacked on the ground that a 1-year extension is too short. This can be charged to the State Department itself. The proposed International Trade Organization is, among other things, a permanent trade agreements program, providing for continuing tariff reductions negotiated by the horse-trading system. Presumably the State Department will present the charter for congressional approval next year. Certainly there is no warrant for a longer extension of the trade agreements act at this time when the whole theory of this method of determining tariff rates is to be considered by Congress within a short time. Had the administration seen fit to present the charter to Congress at this time, no question of a limitation on the time during which this delegated authority could be exercised would have arisen. No valid objection can be levied against the single year's extension, since the charter with the trade agreements principle incorporated as its most important feature is so soon to be considered.

Mr. Clayton asserts that a year is too short a time to conclude any agreements. But he states that nothing special is in mind in the way of new agreements, except for Greece, I believe. If that is so, there would seem to be no reason for not postponing further action at this time.

Mr. Clayton has not made it clear that if there is no extension of the act all present duties remain in effect, without change. All that would happen would be that there would be no new cuts. Mr. Clayton stated that the effect of tariff changes could not be determined until they had been in effect for a considerable time. Why is he not willing to wait to see what effects the cuts made at Geneva will produce before they experiment with a lot of new ones. "Experiment" is not an unfair expression. He speaks of "calculated risks," but what he says is a clear indication that they are risks which must of necessity be uncalculated.

The objections raised to providing for a congressional veto are without merit. Such a veto could be exercised only if the President makes reductions beyond the points specified by the Tariff Commission as "causing or threatening serious injury to domestic producers \* \* \* or impairing national defense," in which case Congress would have the right to pass a concurrent resolution disapproving such action. This provision is nothing more or less than a means of implementing the "escape clause" now incorporated by President Truman's Executive order in all trade agreements.

Objection to the veto provision can only mean that there is actual intent to cause such injury. It has taken 14 years for the State Department to comprehend what seems to be an elementary truth, that you cannot give a part of our domestic market for competitive goods to foreign countries without taking it away from our own producers.

But realizing that, Mr. Clayton still wants to deliver the domestic market to foreign producers. His testimony is an admission that this will cause serious injury to domestic producers. But he insists we must import, whether we need imports or not. If the State Department is of the opinion—and this is the way I read Mr. Clayton's testimony—that our surplus products must be sold abroad, and that it makes sense to destroy certain other industries in order to get paid for our exports in goods which we now make for ourselves, I humbly submit that Congress should make sure it has a chance to pass upon the list of domestic industries marked for slaughter.

Senator LUCAS. Do you believe we can live alone in this country?

Mr. BESSE. No, sir.

Senator LUCAS. You believe in exporting, do you?

Mr. BESSE. If you have a valid purpose for exporting. If you have no valid purpose, if you export merely with the intent of disposing of a surplus, it doesn't make sense to me. If you export in order to secure something that you do not have in this country, it does make sense.

Senator LUCAS. You would protect every industry in this country, regardless?

Mr. BESSE. No, sir.

Senator LUCAS. I say you would not protect every industry in this country?

Mr. BESSE. I would protect the industries that we want to preserve in this country and that we can only preserve if we have protection. That doesn't mean every industry.

Senator LUCAS. Then some industries under your theory would have probably to go in the interest of the greatest good. Is that true?

Mr. BESSE. That is something you should consider. You have to determine whether the industry is something you want to preserve or don't care about.

This veto power should definitely be retained in the bill. The operation of the escape clauses is based upon an analysis of economic circumstances. The testimony of Mr. Clayton indicates that other factors are of determining status. Can Congress afford not to keep some check on these "other factors"? I think not.

We have been told that other countries would very much deplore what is characterized as "any serious weakening of the Trade Agreements Act." I very much question this statement. Nowhere in the record is there any indication that foreign countries are in favor of this program.

Foreign countries for the most part have been bribed or threatened into entering into these pacts. A powerful factor was the threat to withhold Marshall plan aid. The impetus for these agreements always comes from the United States. We can properly describe foreign countries as "reluctant." It is possible that foreign opinions are somewhat more favorable than they were previously, now that foreign countries have found that they can cancel the concessions which they make to us without running any danger that we will cancel the concessions we accord to them.

We obviously cannot continue on this basis, however. We are currently collecting as duty less than 16 percent of the value of all dutiable imports, or about 6 percent of the value of all imports. Foreign countries can hardly expect that we will go much, if any, further.

If foreign countries are so enamoured of this program, it seems odd that none of them has made representations to the United States at a time when the continuance of the program was under discussion.

The program has actually created ill will in the one country with whom our relations have hitherto been the most cordial. Nothing, in my opinion, has done as much to impair our relations with Great Britain as our insistent attempt to break down Empire preference. We tried to incorporate a reduction in Empire preference in the British loan; we tried to break it down at the Geneva conference on tariffs and trade.

The CHAIRMAN. Also in connection with the lease-lend cancellations.

Mr. BESSE. That is correct.

We also strove to incorporate into the ITO provisions which would require Great Britain gradually to reduce all preferences. Our attitude has been incomprehensible to the British, and the more so because we have endorsed the principles of customs unions, which are in essence an empire preference system carried one step further.

Senator LUCAS. Do you think we were right or England was right?

Mr. BESSE. I think England was right.

Senator HAWKES. Is it not a fact that the ablest men in England said they just could not do the things that certain people in authority there agreed to do when we made them these loans and all these other things, that they could not do those things and live?

Mr. BESSE. Let me say very able people have so stated. I would not want to say they were not the ablest.

Senator HAWKES. Including one of the ablest in the world.

Mr. BESSE. That is right.

Senator HAWKES. I mean Mr. Churchill.

Senator LUCAS. It is marvelous to find someone defending England, because most of them are hammering away at her over on the Senate floor most of the time.

Mr. BESSE. If there is any indication that foreign countries would shed any tears over the discontinuance of this program, this is the time to produce the evidence.

One word more about my own attitude. Why am I concerned over the possibility that the President and the State Department may be given continuing authority to make further tariff cuts without reasonable limitations of an economic character? I think I can state it very simply. Mr. Clayton says, "One wonders what we are afraid of in the United States in competing with the rest of the world." I take that to mean that no matter how low our tariffs are, industries should have no difficulty in competing with producers abroad. But if we find we can compete, there is, of course, no increase in imports. However, Mr. Clayton's whole emphasis is on increasing imports. The only way he can accomplish an increase in imports of dutiable items is to reduce tariff rates below the point where domestic producers can meet the resulting competition. We are afraid of the program because we have a lively appreciation of what will happen to certain American industries if tariffs are reduced to such a degree that foreign producers drive us out of our own market. Mr. Clayton, by his own statement, indicates that he does not comprehend the implications of the program which he advocates.

Mr. Marshall has stated that he would prefer no extension of the trade agreements program to an extension on the terms provided in H. R. 6556. I would suggest that he be taken at his word and that no renewal be voted. No possible harm could come from such a step. Our present duty rates would continue without change and the whole matter would receive careful and detailed consideration next year as a part of the International Trade Organization proposal.

If the committee does not see fit to accept Mr. Marshall's alternative of no extension, I would recommend that the House bill 6556 be passed, but passed as it is. I hope your committee will not agree to any crippling amendments.

The CHAIRMAN. He has gotten in the habit of delivering ultimatums to Congress. He talks to Congress as he would to one of his strikers who is not putting the proper polish on his boots.

Mr. BESSE. My suggestion would be that he be taken at his word and no renewal be voted. No possible harm could come from such a step.

Senator LUCAS. That is what you advocate, that is what you would like to see done?

Mr. BESSE. That is my first choice. My next choice would be to pass H. R. 6556 in the form in which it comes to you from the House.

No possible harm could come from such a step. And I would like parenthetically to answer the question that Senator Lucas asked of Mr. Holman which I think Mr. Holman must have misunderstood, if I got the answer correctly. That was the question \* \* \*.

Senator LUCAS. Are you now answering for Mr. Holman? Is that what you are now doing?

Mr. BESSE. I am trying to correct a statement.

Senator LUCAS. I would think you would like to have Mr. Holman correct his own statements.

Mr. BESSE. Let me put it differently. A question was asked by Senator LUCAS of Mr. Holman. I don't agree with the answer. Whether Mr. Holman misunderstood the question, I am not quite certain. The question was, "If the Trade Agreements Act was not renewed, would the rates revert to the 1930 rates?" I understood Mr. Holman to say they would. That is not correct. The agreements executed under the Trade Agreements Act run for 3 years from the time they were negotiated, but they run indefinitely thereafter. They don't expire at the end of 3 years. They run indefinitely thereafter, and the rate is not changed unless one or the other country repudiates the agreement.

The CHAIRMAN. I think that was made clear in the record.

Mr. BESSE. Under the 6 months' clause, but it does not expire at the end of 3 years.

Senator LUCAS. That was all made clear in the record. That would not apply to a country that you do not have a trade agreement with.

Mr. BESSE. It applied to the extent that we now give them most-favored-nation treatment.

Senator LUCAS. It would not apply with any country with whom we had a trade agreement. The rates would revert back to the rates—

Mr. BESSE. No, sir; that is not correct. If there is no agreement on rates, there is no change in the rates. If there is an agreement on the rates, the agreement stays in effect until we cancel it.

Senator LUCAS. I am talking about a country where we had no trade agreement. What is the situation there? You are an expert on that.

Mr. BESSE. They are exactly the same as the country with whom we do have a trade agreement. They get all the benefit, whether they give us this benefit or not.

Senator GEORGE. Do we get any benefit from them?

Mr. BESSE. I don't think we have to date.

Senator LUCAS. That is not the question. The question is whether we get any benefit if the act is repealed with these countries where we have no trade agreement.

Mr. BESSE. It would not affect any one whether they have an agreement with us or not unless we abrogate one of the existing agreements. That is the only way you can change any rate that is now in existence.

Senator LUCAS. Then you are saying the rates now in existence can only be abrogated by the trade agreement.

Mr. BESSE. I didn't say that. The rates now in existence are either the rates provided by the 1930 act or they are the rates established pursuant to agreements that we have executed.

Senator LUCAS. Certainly. My question is what happened with a country where we have no trade agreement.

Mr. BESSE. Nothing.

Senator LUCAS. In other words, those rates are established and fixed, and that is what we go by as far as tariff is concerned.

Mr. BESSE. The rates that are established in the agreements.

Senator LUCAS. You do not have an agreement.

Mr. BESSE. It doesn't make any difference. The rate that we established in the agreement with Great Britain is a rate that is auto-



matically extended to all the other countries whether we have an agreement with them or not.

Senator LUCAS. You could have one trade agreement and it would take care of everybody around the world.

Mr. BESSE. It would; yes, sir.

Senator LUCAS. All these other trade agreements are just a lot of nonsense that we have been fooling around with.

Mr. BESSE. The theory has been that the agreements are negotiated in the first instance with the country of principal supply. That has not always been true. But once the agreement is negotiated, the reduced rates apply to every country on the most-favored-nation list.

Senator GEORGE. I do not think you quite get the question. If we have no agreement with a country, country "X," we get no concessions simply because country "X" has the advantage under the most favored nations clause of whatever rate we negotiated with country "X." We get no benefits from the country with whom we have no agreement.

Mr. BESSE. That is correct, of course.

Senator GEORGE. That is right. I thought you misunderstood.

The CHAIRMAN. I think your exception to that is except that we are supposed not to be discriminated against in those countries.

Mr. BESSE. That is right.

The CHAIRMAN. I am not saying whether we are or are not discriminated against, but to get the benefit of the generalization, we are supposed not to be discriminated against.

Mr. BESSE. That is right.

Senator GEORGE. That is right. The most-favored-nations clause would not apply if they were discriminating against us, at the same time we get no concession merely because they were getting the benefits under the most-favored-nations treatment.

Mr. BESSE. We have no concessions from them.

Senator GEORGE. That is right. That is what I mean.

Mr. BESSE. My preference would be to let the matter drop until you consider the ITO next year. If the committee does not see fit to accept that or accept Mr. Marshall's alternative of no extension, I would recommend that the House bill 6556 be passed, but passed as it is. I hope your committee will not agree to any crippling amendments.

I would like just to add that my board of directors does not have to adjourn on the 19th of June and I have had a little more time than Mr. Gearhart to study Mr. Malone's bill. It does not provide for a retreat into economic isolationism. I would like to read section 2 of that bill.

Senator LUCAS. Are you the author of this bill?

Mr. BESSE. No, sir.

Senator LUCAS. Did you have anything to do with the writing of it?

Mr. BESSE. Yes, sir; I did.

Senator LUCAS. Go ahead.

Mr. BESSE (reading):

Title I, paragraphs 1 to 1559, inclusive, the Tariff Act of 1930 are hereby amended by repealing the classification and rates therein contained and substituting therefor the classification and rates obtaining and in effect on June

12, 1948, by reason of proclamations of the President under section 350 of the Tariff Act of 1930 or otherwise.

In other words, I think it is important, while that bill is not before Congress, to point out that the suggestion in that bill was to retain the present rates, the lowered rates that have been established pursuant to the Trade Agreements Act until there was thought to be reason to change them.

The CHAIRMAN. I suggest it is important not to debate a bill which is not before the Congress and which is not scheduled for hearing before any committee and which does not form a part of the policy of either of the parties.

Mr. BESSE. I think that is most reasonable. I brought it up merely because the question was asked of Mr. Gearhart, and he was not in a position to reply.

Senator LUCAS. You have taken care of Mr. Gearhart, and you have taken care of Mr. Holman. You are doing pretty well.

Mr. BESSE. I wish I were able to, Mr. Lucas, but that is something to which I do not aspire.

Senator LUCAS. What about injury to the wool industry? I would like to hear from you about that now, if you have any real facts and figures to show where it has been injured.

Mr. BESSE. I have some figures. They are not important. I have never claimed that the industry has been injured.

The first agreement was made in 1939. We have had no opportunity to determine the incidence of those changes since that time. I would like to call your attention to the other side of the same point. I never claimed that the industry has as yet been injured, but I have never seen any claim that the industry abroad has been benefited; and for the same reason.

Senator HAWKES. Mr. Besse, do you mean that you have not had an opportunity—you mean that we have had an abnormal situation ever since that agreement was made?

Mr. BESSE. We have had an abnormal situation at the present time; although England is doing her utmost to try to increase exports, they are having considerable difficulty. Labor is not too anxious to go back into the textile industry. She suffers from the high price of wool, as we all know, which is not a matter of manipulation. It is a matter of limited supply of fine wool in the world.

Senator LUCAS. You have never believed in the trade-agreement program?

Mr. BESSE. No.

Senator LUCAS. You have not from the beginning; have you?

Mr. BESSE. I think you will have to grant me consistency in that respect.

Senator LUCAS. I commend you for it. You would like to see the whole thing shelved and out of the way?

Mr. BESSE. I don't believe that our tariff rate should be set by international bargaining.

Senator LUCAS. You would like to go back to the old days?

Mr. BESSE. No, sir.

Senator LUCAS. You would like to go back to that special-interest control?

Mr. BESSE. Senator Lucas, you asked me if I had anything to do with writing 2582. I had a little to do with it. I don't think you

can say, if you have read that bill, that it provides for going back to what you call the old days and the old system.

Senator LUCAS. If that is where you want to go, I am surprised you did not fix that up in the bill.

Mr. BESSE. It isn't where I want to go. I want the United States to adopt a realistic policy to determine what industries are important for us to keep and determine what measures you have to adopt to keep those industries. In some cases it might be a tariff. In some cases such as the shipping industry and aviation it may be a subsidy, but the decision I believe should be our own decision and I don't think we can afford, particularly with a situation with which we are faced today, with no bench marks to indicate what the competitive situation on the international level may be after there has been some measure of recovery abroad. I don't think we can afford to have our tariff rates tied up with international agreements. I think that we have reached a sufficient stage of maturity where we ought to be able to set our own rates. That doesn't mean that I advocate that you throw the whole matter periodically into Congress to debate on 3,000 different specific items.

Senator GEORGE. Mr. Besse, at a time when we have not only become a lending country but the greatest lending country in all times, do you not consider that international trade is of real importance, general trade, to the extent that we are able to participate in it?

Mr. BESSE. I believe I am correct, Senator George, in saying that the United States is the only country who approaches foreign trade from the standpoint of exports.

Frankly, every country I know anything about, and my knowledge is limited I admit, looks at international trade as a means of acquiring materials, supplies, and manufactured products which that country either does not have or cannot produce with reasonable efficiency.

We do not look at it that way. We look at foreign trade as a means of getting rid of potential or actual surpluses.

We ship these surpluses abroad and then we worry over what we are going to take in return. I submit that is not an intelligent approach to international trade.

I submit also it is not a reasonable approach to make a lot of loans which we make for the purpose of foreign relief and call them loans.

Senator GEORGE. That may be entirely true, but as the world's great creditor nation, and with a production capacity that equals perhaps all the balance of the world, is it not highly important that we maintain an international trade?

Mr. BESSE. I do not see what you automatically gain. We have been told for years that if the wool industry, or the shoe industry, or the pottery industry, or some other industry, could not compete without a tariff, the workers in that industry ought to go across the street and go into one of these large mass production industries that can compete.

You see the situation you are in today, those mass production industries with the available equipment and labor force that they have, are able to produce a tremendous amount of exports. There is obviously no room in those industries for the individuals that would leave those industries that may need some tariff protection.

Senator GEORGE. Is not wool manufacturing on a mass production basis so far as all of the lower and medium priced products are con-

cerned? Have you not developed machine production in your industry beyond the comparable industry elsewhere in the world except in the various finest woollens and worsteds?

Mr. BESSE. Not to any great extent. Nothing like the extent to which the so-called mechanized industries have been able to do it. The best figures we have been able to compile indicate that on an over-all basis, which is the only way you can figure it, a worker in the United States in the wool textile industry will produce, we will say 1,300 units while the British worker is producing a thousand units. They can be called an efficiency or mechanical advantage of about one-third. That is not sufficient to offset the difference in wage rates.

It is sufficient at the moment because England and other countries are getting what the traffic will bear, and there is no reason why they should not.

Senator GEORGE. Is it not more than a third until you get up to the level of the higher grade products?

Mr. BESSE. I doubt it. I do not know. Some of our English friends have suggested that we had at least a 50-percent advantage over them.

Senator GEORGE. I was under the impression you had at least 50 percent except in those very high-grade products, high-grade woolen products, which are specialists, more or less.

Mr. BESSE. It is almost impossible to measure it, but even if we had a 50-percent advantage, which I doubt, our average wage today is \$1.31 an hour. The average wage in England is 41 cents an hour, figuring the pound at \$4.03 per pound. How long the pound will stay at \$4.03, you probably know better than I do. But the reduction in the pound would have a substantial difference not only in relative cost of the goods in terms of dollars but in the duty assessed because it is an ad valorem duty assessed on foreign value.

Senator GEORGE. Your industry has suffered no ill effects?

Mr. BESSE. We have never claimed that.

Senator GEORGE. And particularly so far as the mass consumption of your product goes; that is, in the lower and medium-priced goods where you have the mass consumers.

Mr. BESSE. Presumably, you are speaking of the period covered by the trade agreement?

Senator GEORGE. Yes.

Mr. BESSE. We have suffered no injury although English imports are three times what they were in the prewar period. But I would like to refer back if I may. The statement that the only part of our industry that was affected was the production of high-grade materials and specialities is not correct. We have suffered, and it has never been confined to the top product, although this is one of Mr. Hull's favorite ideas.

In the original agreement written in 1938, the highest or greater cuts were made in the higher brackets. In the agreement made last year, the brackets were all equalized and are now all the same. There are no separate brackets. There is one single rate applying to all value classification.

Senator LUCAS. Since 1946, production has declined, has it not?

Mr. BESSE. Yes, and at a little greater rate in this country than elsewhere, but it has declined pretty generally throughout the world.

Senator LUCAS. The consumption in 1947, although lower than the war years, was still 70 percent above 1937-39 average?

Mr. BESSE. I would think so; yes.

Senator LUCAS. Mr. Chairman, I would like to place in the record at this time some facts about the wool industry which I think are tremendously important, and anyone that is really interested in what has happened under the general trade agreement about wool, I am sure, will be interested in this more than the argument made here by Mr. Besse.

The CHAIRMAN. We will put it in the record at this point.

Senator LUCAS. Thank you.

(The document is as follows:)

WOOLENS AND WORSTEDS

(Par. 1108, 1109a)

TARIFF RATES

Under the Tariff Act of 1930, woolens and worsteds were subject to a specific duty of from 40 to 50 cents per pound (compensatory for the duty on raw wool) and to an additional duty ranging from 50 to 60 percent ad valorem which was reduced to 35 to 45 percent ad valorem in the United Kingdom trade agreement of January 1, 1939. The compound duty, after the United Kingdom trade agreement reduction, was equivalent to 75 percent ad valorem on actual imports in 1939.

In the general agreement the specific duties of 40 or 50 cents per pound are, with one minor exception, reduced by 25 percent, corresponding to the reduction in the raw-wool duty; and ad valorem rates ranging from 35 to 45 percent are lowered to 25 percent. The United States has reserved the right to increase the ad valorem part of the compound duty to 45 percent ad valorem on imports of woolens and worsteds in any year in excess of 5 percent of average annual United States production in the three preceding years.

SUMMARY OF UNITED STATES PRODUCTION, EXPORTS AND IMPORTS

*Woolens and worsteds: United States production, exports and imports*

[Quantity (1,000 pounds) ]

Year	Production	Domestic exports	Imports for consumption from—		
			All countries	United Kingdom	France
1923	344, 155	1, 032	<sup>1</sup> 11, 472	9, 616	903
1927	269, 998	439	11, 252	5, 656	930
1929	269, 591	469	9, 852	7, 609	572
1937	314, 228	216	5, 604	4, 557	189
1939	308, 947	310	6, 626	5, 680	337
1945	408, 614	29, 141	1, 516	( <sup>2</sup> )	( <sup>2</sup> )
1946	<sup>3</sup> 493, 716	24, 861	2, 154	( <sup>2</sup> )	( <sup>2</sup> )
1947	<sup>3</sup> 413, 122	17, 298	2, 490	( <sup>2</sup> )	( <sup>2</sup> )

<sup>1</sup> General imports.

<sup>2</sup> Not yet tabulated by country, but known to be largely from United Kingdom.

<sup>3</sup> Calculated on the basis of 10 ounces per square yard.

[Value (1,000 dollars; values of import are foreign values) ]

1923	700, 202	2, 547	<sup>1</sup> 21, 247	17, 408	2, 128
1927	516, 723	897	<sup>1</sup> 22, 490	16, 893	2, 803
1929	485, 092	933	19, 526	14, 989	1, 928
1937	460, 628	374	9, 059	7, 390	480
1939	408, 541	440	8, 801	7, 409	570
1945	( <sup>4</sup> )	60, 625	3, 976	( <sup>2</sup> )	( <sup>2</sup> )
1946	( <sup>4</sup> )	51, 751	6, 387	5, 227	( <sup>2</sup> )
1947	( <sup>4</sup> )	39, 352	8, 362	( <sup>2</sup> )	( <sup>2</sup> )

<sup>1</sup> General imports.

<sup>2</sup> Not yet tabulated by country, but known to be largely from United Kingdom.

<sup>4</sup> Not available.

## UNITED STATES PRODUCTION

The domestic production declined from 344,000,000 pounds in 1923 to a low of 194,000,000 pounds in 1931 but increased thereafter to a peak of 494,000,000 pounds in 1946. Production was 413,000,000 pounds in 1947 as compared to 309,000,000 pounds in 1939.

The United States is the world's largest producer of woollens and worsteds. The United States has less spindles, looms, and employees than the United Kingdom but its output exceeds that of the United Kingdom. According to the British Working Party reports, Wool, 1947, the output per wage earner in the United States was nearly double that in the United Kingdom (3,633) linear yards per worker in the United States in 1945, as compared to 1,835 yards per worker in the United Kingdom in 1937.<sup>1</sup> In any attempt to indicate the relative productivity of the industries in the two countries, these figures must be qualified in that they do not take into account the amount of yarn that goes into woollens or the amount of semimanufactures which are exported. The report cited the following reasons for the lower productivity in the United Kingdom: The United Kingdom had fewer automatic looms than the United States; there was a lower rate of equipment replacement in the United Kingdom; and the war had dislocated both equipment, labor and trade connections. According to the same report, the British labor rates were lower than the United States, so that the United States labor cost, in 1945, averaged 36 percent higher than the British labor cost in 1937, per unit of cloth produced. This differential of 36 percent applies to labor costs alone and not to the whole cost of the fabric, where the protective tariff, formerly 35 to 45 percent and now 25 percent ad valorem in the general agreement, applies to the total foreign value of the fabric, that is labor plus materials.

Imports have been, and are likely to continue to be, limited chiefly to high grade or specialty fabrics which sell in this country at higher prices than the bulk of the domestic production. The bulk of the domestic production consists of medium-priced grades, made on a mass-production basis.

## UNITED STATES IMPORTS

Imports have supplied from 1 to 2 percent of the domestic market since 1930 (as much as 4 percent in some years during the 1920's), and have been chiefly from the United Kingdom.

The bulk of the imports have consisted of high grade or specialty fabrics which sold in this country at much higher prices than the bulk of the domestic production. For example, the average unit value of the domestic production was \$1.33 per pound in 1939 whereas the average unit landed cost (foreign value plus transportation charges plus duty) of imports in that year was \$2.33. The average unit landed cost of imports in 1946 was \$4.53 per pound and in 1947 was \$5.06 per pound (not including transportation charges). Average unit values for domestic production are unavailable for those years. Only a small portion of the domestic production has consisted of fabrics which sold in the price ranges of the imported British fabrics.

There is some preference on the part of United States consumers for certain types of high-quality British fabrics. These are fabrics for which there is a limited domestic demand, so that they do not lend themselves to mass-production methods by most United States mills. Advanced designs rather than price have been the principal factors in the demand for much of the imported fabric. The volume of imports of finer woollens and worsteds in the past has been determined more largely by the degree of prosperity in the United States than by the relative prices of the imported and the most nearly similar domestic fabrics.

## PRICES

In considering the following comparison of postwar and prewar United States prices on a typical grade of wool cloth, one should keep in mind that the average landed unit costs of imports rose from \$2.33 per pound in 1939 to \$5.06 in 1947.

<sup>1</sup> These dates were selected by the committee so that trade conditions would be approximately the same in the two countries. According to the National Industrial Conference Board (Conference Board Business Record, November 1947, p. 320) the difference would have been even larger if 1945 or 1946 figures had been used for both countries.

*Wool cloth: Serge, 12-ounce, fine grade, United States price*

Year	Per yard	Per pound	Year	Per yard	Per pound
1937.....	\$2.57	\$3.43	1945.....	\$3.29	\$4.39
1938.....	2.20	2.93	1946 <sup>1</sup> .....	3.39	4.52
1939.....	2.23	2.97	1947 <sup>2</sup> .....	4.13	5.51

<sup>1</sup> Preliminary.  
<sup>2</sup> May 1, 1947.

Source: Figures compiled by U. S. Tariff Commission from Bulletin, U. S. Bureau of Labor Statistics, Wholesale Prices, Wool Cloth.

The prices of woolen fabrics have risen steadily since the beginning of World War II and are still rising. The price of 12-ounce serge, fine grade, which is considered a representative cloth by the United States Tariff Commission, was 50 percent higher in 1946 than in 1939. In May 1947 the same cloth was 85 percent higher than in 1939. On February 10, 1948, the New York Times noted that the fall prices announced by the American Woolen Co. for standard worsted suiting fabrics for men's wear had advanced 8 to 12 percent over spring levels. The increase ranged from 27½ to 42 cents per yard.

EXPORT CONCESSIONS OBTAINED BY THE UNITED STATES

United States exports of woolens and worsteds go chiefly to Canada, Cuba, United of South Africa, and India. The United Kingdom reduced the duty on tissues of wool not shaped from 20 to 17½ percent. The Canadian Government granted concessions on various woven fabrics of wool ranging from bindings to reductions of 20 to 40 percent. In addition the United States obtained concessions from other countries in the general agreement which are expected to be of benefit to American exporters.

*Tariff rates on woolens and worsteds*

	Act of 1930	1945 rate <sup>1</sup>	General agreement
Par. 1108: Woven wool fabrics weighing not over 4 ounces per square yard:	50 cents per pound plus 50 percent.	50 cents per pound plus 37½ percent.	37½ cents per pound and 25 percent ad valorem. <sup>2</sup>
Without warp of cotton: Valued not more than \$1.25 per pound.	50 cents per pound plus 55 percent.	.....do.....	
Valued over \$1.25, not over \$2 per pound.	50 cents per pound plus 60 percent.	.....do.....	
With warp of cotton: Valued not more than \$1 per pound.	40 cents per pound plus 50 percent.	40 cents per pound plus 37½ percent.	30 cents per pound and 25 percent ad valorem. <sup>2</sup>
Valued over \$1, not over \$1.50 per pound.	40 cents per pound plus 55 percent.	.....do.....	
Valued over \$1.50 per pound.	40 cents per pound plus 60 percent.	.....do.....	

<sup>1</sup> The 1945 rates of duty were effective January 1939 pursuant to the trade agreement with the United Kingdom, except for woven green billiard cloths which were reduced in the trade agreement with Belgium effective May 1935.  
<sup>2</sup> The United States reserves the right to increase the ad valorem part of the rate applicable to any of the fabrics provided for in item 1108 or 1109 (a) of this part to 45 percent ad valorem on any of such fabrics which are entered in any calendar year in excess of an aggregate quantity by weight of 5 percent of the average annual production of similar fabrics in the United States during the three immediately preceding calendar years.

## Tariff rates on woollens and worsteds—Continued

	Act of 1930	1945 rate <sup>1</sup>	General agreement
Par. 1109 (a):			
Woven green billiard cloths, in the piece, weighing more than 11 ounces but not more than 15 ounces per square yard, wholly of wool.	50 cents per pound plus 55 or 60 per cent.	50 cents per pound plus 40 per cent.	} 37½ cents per pound and 25 percent ad valorem. <sup>2</sup>
Woolens and worsteds weighing over 4 ounces per square yard:			
Valued not more than 80 cents per pound.	50 cents per pound plus 50 per cent.	40 cents per pound plus 45 per cent.	
Valued over 80 cents, not over \$1.25 per pound.	-----do-----	50 cents per pound plus 40 per cent.	
Valued over \$1.25, not over \$2 per pound.	50 cents per pound plus 55 per cent.	-----do-----	
Valued over \$2 per pound.	50 cents per pound plus 60 per cent.	50 cents per pound plus 35 per cent.	

See footnotes on p. 281.

The CHAIRMAN. Any further questions?

Senator HAWKES. Mr. Chairman, I was not here, but I take it Mr. Besse's theory in supporting this House bill is at one time we all thought the Congress of the United States had the power to make and regulate the tariffs under the Constitution. That is right; is it not?

Mr. BESSE. Yes.

Senator HAWKES. That right was given to the executive branch by the Trade Agreement Act; is that right?

Mr. BESSE. Yes.

Senator HAWKES. Now, then, the Congress if it should adopt that bill, is only saying that it wants a little bit of its authority that was given to it under the Constitution back, so that it can say what it thinks the executive branch is doing that will be inimical to the industry of this country. Is that a fair statement?

Mr. BESSE. Except it is limited a little further than you indicate.

The reference to Congress is made only in the event that the President sees fit to go beyond the critical points established in this case by the Tariff Commission as being the danger points. If he wishes to go beyond these points, he has only to secure a bare majority in either House of Congress in support of his position.

Senator HAWKES. That is under the bill that you are saying you favor if we cannot have a Reciprocal Trade Agreements Act at all?

Mr. BESSE. Exactly. It seems to me a very reasonable position.

Senator HAWKES. It seems reasonable to me, too. That is the point I was bringing out. It seems reasonable for the Congress to say it wants some little say on what the executive branch of the Government is doing under the Trade Agreements Act if, in its opinion, the executive branch is going too far.

Mr. BESSE. Particularly since the State Department's spokesman says and admits there is not any way of telling in advance exactly what the effect of a cut is going to be, and that it takes some time to determine what the result may be of a specific reduction in the tariff.

Senator HAWKES. Of course, you know as long as there is an excess demand for practically everything in the world and a shortage of



supply, you are not going to feel the effects of improper regulation of tariff under the Trade Agreements Act.

Mr. BESSE. That is correct.

Senator HAWKES. That is why I asked that question a few moments ago, because, in my opinion, we have not had any normal procedure under the Trade Agreements Act since they first came into existence. It can be argued we had some between 1934 and 1939, but it takes time to get things into existence, and every prudent businessman that I know in the world tries to anticipate what is going to do harm rather than wait until the harm has arrived to try to cure it.

Mr. BESSE. That is exactly why I am so puzzled at the emphasis on the lack of injury to domestic industry. There has been no opportunity to determine it. There has been no indication on the other side that there have been advantages accruing to the foreign producer.

Senator HAWKES. I do not think there is any way to determine it under the conditions that have confronted us. I do not think it is possible to estimate the thing, and that is the reason I have always felt we had better go a little too slow than to move too fast in this thing that a great many people think is beneficial to the United States and the world.

I want to ask you this: One of the great arguments that I remember when the reciprocal trade agreements came into effect, taking the power away from the Congress and lodging it with the executive branch, was it would take the tariff out of politics.

I want to ask you if you agree with me we took it out of domestic politics, where the American people can know something about what is being done, and we put it into international politics and coupled it up with diplomacy of the State Department.

Mr. BESSE. I think that is a very fair analysis.

Senator HAWKES. I think as bad as domestic politics may be, I still have more faith in domestic politics than I have in international politics.

The CHAIRMAN. Thank you, Mr. Besse.

Mr. BESSE. Thank you.

The CHAIRMAN. We will call Mr. Rose. Identify yourself for the reporter, please.

#### STATEMENT OF H. WICKLIFFE ROSE, REPRESENTING THE AMERICAN TARIFF LEAGUE, NEW YORK, N. Y.

Mr. ROSE. My name is H. Wickliffe Rose of the American Viscose Corp., Philadelphia, Pa. I am president of the American Tariff League, whose views I represent here today.

In these few minutes of time, only vital current issues can be discussed, and only a few of those. No more is appropriate, for a tremendous record has been built on the subject of tariff and the trade agreements, and that record is still available.

There is no issue here of high tariff versus free trade, although we hear and read much about both currently.

There is no issue here of whether we should buy more from foreign countries or whether our exports and our imports should balance. We believe it to be generally agreed that, over a period of years the two must be brought into balance in some way, or economic chaos will

result. We are unable to understand, therefore, who it is that our State Department is trying to convince by reiterating the primer principle that we must buy to sell. They should have convinced themselves by now that such is international trade, and that exports subsidized by our own cash is not trade.

There is no issue here as to whether corporations are making high profits or low profits, although Hon. William Clayton used the CIO argument on that point in his testimony before the subcommittee of the Committee on Ways and Means, and since he is a principal spokesman for the trade agreements, and the point seems to be fundamental in his thinking, the fallacy of his argument should be revealed. I have some data here, if it is of interest to you.

The real issue is this: Are international tariff agreements essential to the restoration and fostering of world trade?

The answer is "No," they are not essential. Actually they are impeding world recovery and world trade. For the reason that tariff is the least restraining of all methods of regulating foreign trade and is not the key to the restoration of trade, our insistence on making international tariff agreements the cornerstone of our foreign economic policy is resulting in international tensions which are threatening our foreign relations.

There is considerable evidence at the present moment that our foreign economic policy is not succeeding.

The stabilization fund is not stabilizing currencies, even though the many frustrations of attempts to do foreign trade point up the necessity of stable currencies for the conduct of trade between nations.

The World Bank is not working as anticipated, because of world conditions. In other words, although the bank was established to start world recovery, it is not operating as fully as expected because world recovery is slow to commence.

The 3¾-billion-dollar loan to Great Britain did not work as expected except as a grant-in-aid, partly because convertibility, which caused a run, was a term of the loan on which we insisted.

The United Nations is having difficulty preserving peace, because the nations are not united. The Havana Charter for an International Trade Organization, an organization which so easily could have been set to work long ago within the framework of the United Nations, attempts instead to set up powers for a subsidiary body which have caused world-wide objections and led to more exceptions than agreed principles. And yet it has been reiterated that the ITO and the trade agreements are parts of the same parcel, that we cannot have one without the other, that both form the cornerstone to our foreign economic policy, and that the alternative is chaos.

Now the plan for European economic aid is under way, and we are told that more international tariff agreements are vital to its success. The plan involves a risk, which we are taking with our eyes open, but it is misleading to our own public to set up tariffs to blame if the plan does not succeed, for there is very little, if any, relation. I have here some data on this subject, if you are interested.

The CHAIRMAN. You have made two references to data. What is this data? Could we put it in the record?

Mr. ROSE. I would like to introduce them into the record, if I may. I can come back to it after the statement, if you wish.

The CHAIRMAN. We will put them in the record at the conclusion of your remarks.

Mr. ROSE. Thank you, sir.

We mention all these organizations because we are told that they are the building blocks of our foreign economic policy, resting on a cornerstone of tariff agreements, and that the bill now before you will knock out that cornerstone and allow the structure to fall.

Furthermore, the foreign economic policy is said to be bipartisan. If that is so, then perhaps that is one reason why it is not working well. The policy needs frank, constructive criticism in order to introduce into it more realistic appreciation of the world situation today and to meet more practically the needs of this country and those of the other friendly nations of the world. We would be truly pessimistic for our future if we believed that the success of our economic policy and foreign relations rested on the power of our State Department to negotiate more tariff agreements.

What do we have left to bargain with? In 1937, the last year of normal prewar trade, of the 60 principal trading nations of the world, there were 46 nations with higher tariffs than ours. See study commencing on page 1394, hearings before House Ways and Means, May 1945. In that year, customs duties collected were 37 percent of the value of dutiable imports and 15 percent of the value of total imports. Last year, customs duties collected were 20 percent of the value of dutiable imports and 8 percent of the value of all imports.

Meanwhile, concessions at Geneva, amounting to a general reduction of most of our tariff rates, have become effective this year, and we now have the lowest tariff in a century. There are few countries in the world with lower tariffs today.

On the other hand, a number of countries have raised tariffs and have established real barriers to trade as realistic controls to meet their current requirements. What do we have left that could be bargained away with any prospect of removing those barriers? It should be obvious that we must seek some other means for making friends and influencing nations.

The fallacy in the argument for tariff agreements is the assumption that further lowering of our tariffs will open more foreign markets to our excess of production. This assumption is based on the misconception that our present tariffs are acting as a barrier to a tremendous volume of goods that otherwise might be imported, assuming further that foreign production has been restored to the point that a tremendous volume of goods not needed abroad is available for shipment here.

We could get at the reality of the present situation if we would recognize that the United States could not possibly consume \$8,000,000,000 worth of goods in addition to the production for the home market. That is the value of the excess of our exports over imports last year.

Senator HAWKES. Mr. Rose, you mean it could not consume \$8,000,000,000 in addition to what we are importing, do you not?

Mr. ROSE. Yes, sir. It says in addition to the production for the home market.

Senator HAWKES. I just want to bring out you have got your own market plus what is being imported, and your statement means we could not consume \$8,000,000,000 worth more of foreign manufactured goods without interfering with our own economic production?

Mr. ROSE. That is right. I appreciate that addition to the statement, because in addition to what we produce for the home market we are already importing in the order of \$5,000,000,000 worth of goods.

Senator HAWKES. That is right.

Mr. ROSE. I appreciate your adding that point.

It is generally recognized that a large part of the \$8,000,000,000 is composed of gifts which will not be repaid. Then it must be recognized that the present rate of exports is not normal and that production based on Government subsidy cannot continue indefinitely.

As there will be pressure to export surpluses, then ways must be found to import as much as possible without injuring our own productivity. If we are already exporting more than our customers can buy, what is to be gained by negotiating further tariff agreements? If such negotiations increased our exports, would the gap not be widened between exports and imports?

Senator HAWKES. Mr. Rose, to bring that out, I think you have a statement in there that is very important.

I would like to emphasize it a little, if you do not mind.

If we are already exporting more than our customers can buy. By that you mean if we are already exporting so much that we have had to send gifts and loans abroad which will never be returned in order that they may buy it, then what good is it to the United States? Is that what it means?

Mr. ROSE. That is right.

Senator HAWKES. That is what I understood it to mean. It seems to me that is one of the most important things in the whole picture: How long are we going to be an eleemosynary corporation to send abroad billions in order that people can buy more goods with our money but we never get our money back?

Mr. ROSE. That point I would like to bring in again later, with a reference to emphasize it still further.

Senator HAWKES. All right.

Mr. ROSE. What can be done to increase our imports by lowering our own tariffs further at this time? If we removed all tariffs, would it enable the United States to consume more foreign goods? If not, and we believe not, then further tariff agreements have no bearing on the real problem.

The present situation is simply this: The United States can produce more than it can consume, and replacing domestic production with foreign production on competitive commodities here and there will not alter the basic fact unless it has the ultimate result of reducing the total of our production.

Here is the reference that emphasizes the point Senator Hawkes just emphasized.

See letter of June 15, 1947, from Hon. Herbert Hoover to Senator Styles Bridges, defining the threat to our productivity by excessive loans and gifts abroad. See memo by the same author on July 3, 1919, giving the same warning and the same sound economic advice.

(The letter referred to follows:)

[From Foreign Relations of the United States—The Paris Peace Conference—1919, vol. X—U. S. Government H. Doc. No. 640, pp. 462-468]

MEMORANDUM BY THE DIRECTOR-GENERAL OF RELIEF ON THE ECONOMIC SITUATION OF EUROPE

The economic difficulties of Europe as a whole at the signature of peace may be almost summarized in the phrase "demoralized productivity." The production of necessaries for this 450,000,000 population (including Russia) has never been at so low an ebb as at this day.

A summary of the unemployment bureaus in Europe will show that 15,000,000 families are receiving unemployment allowances in one form or another, and are, in the main, being paid by constant inflation of currency. A rough estimate would indicate that the population of Europe is at least 100,000,000 greater than can be supported without imports, and must live by the production and distribution of exports, and their situation is aggravated not only by lack of raw-materials imports but by low production of European raw materials. Due to the same low production, Europe is today importing vast quantities of certain commodities which she formerly produced for herself and can again produce. Generally, not only in [is] production far below even the level of the time of the signing of the armistice, but far below the maintenance of life and health without unparalleled rate of import.

Even prior to the war these populations managed to produce from year to year but a trifling margin of commodities over necessary consumption or to exchange for deficient commodities from abroad. It is true that in prewar times Europe managed to maintain armies and navies, together with a comparatively small class of nonproducers, and to gain slowly in physical improvements and investments abroad, but these luxuries and accumulations were only at the cost of a dangerously low standard of living to a very large number. The productivity of Europe in prewar times had behind it the intensive stimulus of individualism and of a high state of economic discipline, and the density of population at all times responded closely to the resulting volume of production. During the war the intensive organization of economy in consumption, the patriotic stimulus to exertion, and the addition of women to productive labor largely balanced the diversion of manpower to war and munitions. These impulses have been lost.

II

It is not necessary to review at length the causes of the decrease of productivity. They comprise in the main as follows:

The industrial and commercial demoralization arising originally out of the war but continued out of the struggle for political rearrangements during the armistice, the creation of new governments, the inexperience and friction between these governments in the readjustment of economic relations.

The proper and insistent demand of labor for higher standards of living and a voice in administration of their effort has, unfortunately, become impregnated with the theory that the limitation of effort below physical necessity will increase the total employment or improve their condition.

There is a great relaxation of effort as the reflex of physical exhaustion of large sections of the population from privation, mental and physical strain of the war.

To a minor degree, considering the whole volume, there has been a destruction of equipment and tools and loss of organization and skill due to war diversions with a loss of manpower. This latter is not at present pertinent in the face of present unemployment.

(The demoralization in production of coal in Europe today is an example in point of all these three forces mentioned above and promises a coal famine, and with industrial disaster, unless remedied. It is due to a small percentage from the destruction of manpower or the physical limitation of coal mines or their equipment. It is due in the largest degree to the human factor of the limitation of effort.)

The continuation of the blockade after the armistice has undoubtedly destroyed enterprise even in open countries and, of course, prevented any recovery in enemy countries. The shortage in overseas transportation and the result of uncertainties of the armistice upon international credits have checked the flow of raw materials and prevented recovery in the production of commodities especially needed for exchange for imports from overseas. The result of this delay has been

unemployment, stagnation, absorption of capital in consumable commodities to some extent all over Europe.

From all these causes, accumulated to different intensity in different localities, there is the essential fact that unless productivity can be rapidly increased there can be nothing but political, moral, and economic chaos, finally interpreting itself in loss of life on a scale hitherto undreamed of.

### III

Coincident with this demoralization in production, other disastrous economic phenomena have developed themselves, the principal one of which is that the very large wage paid special workers; and the large sums accumulated by speculation and manufacture during the war have raised the standard of living in many individuals from the level of mere necessities to a high level of luxuries. Beyond this class there is a reflex in many other classes from the strenuous economies against waste and the consumption of nonessentials in all countries, and, as a result, there is today an outbreak of extravagance to a disheartening degree.

Another economic change of favorable nature from a human point of view, but intensifying the problems of the moment, has been the rise in the standard of living in large sections of the working classes through the larger and better wage distribution, separation allowances, etc., during the war. Parallel with these classes are those of fixed income, the unorganized workers, the unemployed, to whom the rising cost of living is inflicting the greatest hardship.

### IV

During some short period, it may be possible for the Western Hemisphere, which has retained and even increased its productivity, to supply the deficiencies of Europe. Such deficiencies would have to be supplied in large degree upon credits; but, aside from this, the entire surplus productivity of the Western Hemisphere is totally incapable of meeting the present deficiency in European production if it is long continued. Nor, as a practical fact, could credits be mobilized for this purpose for more than a short period, because all credits must necessarily be simply an advance against the return of commodities in exchange, and credits will break down the instant that the return of commodities becomes improbable. Further, if such credits be obtained in more than temporary purposes, it would result in economic slavery of Europe to the Western Hemisphere, and the ultimate end would be war again.

The solution, therefore, of the problem, except in purely temporary aspects, does not lie in a stream of commodities on credit from the Western Hemisphere, but lies in a vigorous realization of the actual situation in each country of Europe and a resolute statesmanship based on such a realization. The populations of Europe must be brought to a realization that productivity must be instantly increased.

### V

The outcome of social ferment and class consciousness is the most difficult of problems to solve. Growing out of the yearning for relief from the misery imposed by the war, and out of the sharp contrasts in degree of class suffering, especially in defeated countries, the demand for economic change in the status of labor has received a great stimulus, leading to violence and revolution in large areas and a great impulse to radicalism in all others. In the main, these movements have not infected the agricultural classes but are essentially a town phenomena.

In this ferment, socialism and communism has embraced to itself the claim to speak for all the downtrodden, to alone bespeak human sympathy, and to alone present remedies, to be the lone voice of liberalism. Every economic patent medicine has flocked under this banner. Europe is full of noisy denunciation of private property as necessarily being exploitation. Considerable reliance upon some degree of communism has been embraced by industrial labor even in nonrevolutionary countries. Its extremists are loud in assertion that production can be maintained by the impulse of altruism alone, instead of self-interest. Too often they are embracing criminal support and criminal methods to enforce their ideals of human betterment. Every country is engaged in political experimentation with varying degrees of these hypotheses, and so far every trial has reduced production. The Western Hemisphere, with its more equitable division

of property, its wider equality of opportunity, still believes that productivity rests on the stimulus from all the immutable human qualities of selfishness, self-interest, altruism, intelligence, and education. It still believes that the remedy of economic wrong lies, not in tampering with the delicate and highly developed organization of production and distribution, but in a better division of the profits arising from them. It still believes in the constitutional solution of these problems by the will of the majority, while Europe is drifting toward the domination of extremist minorities. The Western Hemisphere's productivity is being maintained at a surplus over its own needs.

The first and cardinal effort of European statesmanship must be to secure the materials and tools to labor and to secure its return to work. They must also secure a recognition of the fact that, whatever the economic theory or political cry, it must embrace the maximum individual effort, for there is no margin of surplus productivity in Europe to risk revolutionary experimentation. No economic policy will bring food to those stomachs or fuel to those hearths that does not secure the maximum production. There is no use of tears over rising prices; they are, to a great degree, a visualization of insufficient production.

## VI

During the period of reconstruction and recovery from reduced productivity, the conservation in the consumption of nonessential commodities is more critical than any time during the war. The relaxation of restriction on imports and on consumption of articles of this character since the armistice is disheartening in outlook. It finds its indication in the increased consumption of beverages and articles de luxe in many countries, even above a prewar normal. Never has there been such a necessity for the curtailment of luxury as exists today.

## VII

The universal practice in all the countries at war of raising funds by inflation of currency is now bringing home its burden of trouble, and in extreme cases the most resolute action must be taken, and at once. In other countries of even the lesser degree of inflation, such currency must be reduced and included in the funded debt, or alternately the price of wages, living, and international exchange must be expected to adjust itself to this depression. The outcry against the high cost of living, the constant increase of wages, and the fall in exchange that is going on is, in a considerable degree, due to this inevitable readjustment.

## VIII

The stimulation of production lies in the path of avoidance of all limitations of the reward to the actual producer. In other words, attempts to control prices (otherwise than in the sense of control of vicious speculation) is the negation of stimulation to production and can only result in further curtailment of the total of commodities available for the total number of human beings to be fed, clothed, and housed. There still exist in Europe great bureaucracies created from the necessity of control of price and distribution by the conditions of the war who are loath to recognize that with world markets open no such acute situation exists and that their continued existence is not essential in the control of speculation. The argument so much advanced that world shortage may develop and justifies continued control of distribution and price is based upon the fallacious assumption that even if the world markets are freed of restraint that there is a shortage today in any commodity so profound as to endanger health and life. From any present evidence, thanks to the high production outside Europe, no shortage exists that will not find its quick remedy in diminished consumption or substitution of other commodities through minor alteration and price. All attempts at international control of price, with view to benefiting the population in Europe at the cost of the producer elsewhere, will inevitably produce retrogression in production abroad, the impact of which will be felt in Europe more than elsewhere. A decrease of 20 percent of Western Hemisphere wheat would not starve the West; it would starve Europe. It must never be overlooked that control of price and distribution cannot stop with a few prime commodities, but, once started, its repercussions drive into a succeeding chain of commodities, and that on the downward road of price control there can be no stoppage until all commodities have been placed under restriction, with inevitable stifling of the total production. It is also often overlooked by the

advocates of price control that, whereas the high level of production was maintained during the war even under a restraint of price, this high production was obtained by the most vivid appeal to patriotic impulse on both sides of the front. This stimulus to production and distribution no longer maintains, and the world must go back to the prime impulse, and that is the reward to the individual producer and distributor.

That body of advocates who have deduced from war phenomena that production and distribution can be increased and maintained by appealing to altruism as the equivalent of patriotism or self-interest should observe the phenomena of Russia, where the greatest food-exporting country is today starving.

## IX

It must be evident that the production cannot increase if political incompetence continues in blockade, embargoes, censorship, mobilization, large armies, navies, and war.

## X

There are certain foundations of industry in Europe that, no matter what the national or personal ownership or control may be, they yet partake of the nature of the public utilities in which other nations have a moral right. For instance, the discriminatory control of ships, railways, waterways, coal, and iron in such a manner as to prevent the resumption of production by other states will inevitably debar economic recuperation and lead to local spots of economic chaos, with its ultimate infection abroad, to say nothing of the decrease in productivity. These misuses are already too evident.

## XI

The question of assistance from the Western Hemisphere during a certain temporary period and the devotion of its limited surplus productivity to Europe is a matter of importance and one that requires statesmanlike handling and vision. It is but a minor question compared to those stated above, and it is in a great degree dependent upon the proper solution of the factors already touched upon. It is a service that the Western Hemisphere must approach in a high sense of human duty and sympathy. This sense will, however, be best performed by the insistence that their aid would not be forthcoming to any country that did not resolutely set in order its internal financial and political situations, that did not curtail consumption of luxuries and the expenditure upon armament, and did not cease hostilities, and did not treat their neighbors fairly. If these conditions were complied with, it is the duty of the West to put forth every possible effort to tide Europe over this period of temporary economic difficulties. Without the fulfillment of these conditions the effort is hopeless. With Europe turned toward peace, with her skill and labor aligned to overcome the terrible accumulation of difficulty, the economic burden upon the West should not last over a year, and can be carried and will be repaid. To effect these results, the resources of the Western Hemisphere and here must be mobilized.

HERBERT HOOVER.

JULY 3, 1919.

By the way, the reference to that is pages 462-468, House Document 640, Seventy-Eighth Congress, 1947.

By coincidence, those two documents were published almost at the same time, and if the Honorable Mr. Hoover had taken the date off his first document from 1919 and sent it to Senator Bridges in reply to his question of how far can we go in loaning abroad without injuring our own productivity, the 1919 memorandum would have answered the current situation. They are so similar, they are well worth studying together.

The CHAIRMAN. You do not have the letter and memorandum with you?

Mr. ROSE. Yes, sir.

The CHAIRMAN. Can you spare it? We will put it in the record if you can.



Mr. ROSE. I do not have the memorandum of 1919, except a paragraph from it. But I do have Herbert Hoover's letter to Styles Bridges as it appeared in full in the New York Times for the 16th of June, 1947. The CHAIRMAN. It will be put in the record at this point. (The letter is as follows:)

[From New York Times, June 16, 1947]

TEXT OF HOOVER LETTER ON LIMITATION OF UNITED STATES AID TO FOREIGN COUNTRIES

Following is the text of a letter, dated yesterday and under the caption "The limits of American aid to foreign countries," from Herbert Hoover to Senator Styles Bridges, Republican of New Hampshire and chairman of the Senate Committee on Appropriations:

JUNE 14, 1947.

MY DEAR SENATOR: I have your letter asking me to give you and your associates my views upon the following points:

1. What are the limits of relief and loans that we can reasonably give to foreign nations annually without seriously impairing our resources in a free economy?
2. Are there methods by which we could increase our gifts and loans above those now available from our present production?
3. What policies should be adopted to make our resources more effective in world rehabilitation?

THE PROBLEM

As a background to this appraisal I wish at the outset to state:

Upwards of a billion people in the war-torn areas of western Europe and Asia are asking for help. In these nations some have not recovered one-third of their prewar industrial production; most of them have not recovered over 75 percent of their prewar food production.

There is greater danger of political and economic chaos in the world today than at any time since the war ended. There is more hunger and want today than there was during the war.

In the face of this threatening situation the American people must continue to do the utmost to prevent starvation in the world. We must do our utmost to aid nations in the recovery of their own productivity. That underlies peace and progress on earth.

But the greatest danger to all civilization is for us to impair our economy by drains which cripple our own productivity. Unless this one remaining Gibraltar of economic strength is maintained, chaos will be inevitable over the whole world.

To discover the common-sense course requires clear objectives and organization on our part. The burden is beyond our resources unless there is immediate unity and cooperation among other nations to lessen our unnecessary burdens and thus enable the application of our resources to the most effective use.

THE ECONOMICS OF THE PROBLEM

Too often gifts and loans to foreign peoples are visualized as just money transactions. The only way money of important volume can be transferred from one nation to another is by goods (including gold) and services. Therefore, when we make a gift, credit, or loan, it is not money that we transfer; it is goods and services. There is thus a direct relationship of exports to the volume of loans and gifts.

While exports to pay for our imports cause us no difficulty, it must be recognized that we cannot safely, through gifts and loans, export more goods than our surplus. And the surplus applies to specific commodities, for we do not produce a surplus in all kinds of goods. If we ship more than our surplus we are taking it from the standard of living of the American people. Further, the immediate result of exporting more than a surplus in our free economy is to raise prices. From that we get a dangerous spiral of increased costs of living and wages.

OUR PRESENT ECONOMIC SITUATION

To appraise our present national situation, it is necessary to examine our experience in the 2 years since the war. In so doing, many debit and credit

items must be estimated. We must estimate the exports, including Army supplies to foreign civilians, and we must estimate imports of the last months of the present fiscal year. Until full data is available many months hence, the sums given must be considered as illustrative of the situation.

We have provided for the excess of exports over imports by loans or gifts.

	1945-46	1946-47
Exports.....	\$13,500,000,000	\$15,500,000,000
Imports.....	7,200,000,000	7,700,000,000
Excess of exports over imports.....	6,300,000,000	7,800,000,000

An examination of the sources and amounts of these loans and gifts for the combined 2 years since the war shows that they were about as follows:

We have provided about 4.5 billion dollars in gifts from our Government through relief; we have provided about 1.5 billion dollars in gifts by our citizens for relief and by way of remittances to relatives abroad; we have provided about 5.5 billion dollars in credits by Government agencies, including the Export-Import Bank loans, subscription to the World Bank and the Stabilization Fund. Loans by these institutions are, in the final analysis, largely drafts on American dollars and are dependent upon us for resources to maintain their operations. We have provided about 1.5 billion dollars in private credits and loans.

Thus we have provided in the last 2 years about 6 billion dollars in relief and gifts together with about 7 billion dollars in loans or credits, or a total of 13 billion dollars. The differences between these amounts and the trade deficits given above are no doubt accounted for by drawing upon previous foreign dollar balances in the United States.

#### OUR COMMITMENTS FOR THE NEXT 12 MONTHS

The estimated unexpended balances of appropriations and various credit commitments to foreign nations on July 1, 1947, are not included in the above. They already amount to over \$5,000,000,000. We should add further probable loans and expected private gifts of \$1,000,000,000. And we must add unknown further calls from the World Bank and Stabilization Funds.

There is also a further liability of the United States in the shape of the foreign deposits in American banks, including ear-marked gold and foreign ownership of American securities. These aggregate at least \$14,000,000,000. We must at all times be prepared to meet their withdrawal. Some withdrawals are likely to be used to pay for exports during next year, thus increasing the total volume of exports required from us. And to all these commitments and liabilities we must add the exports necessary to pay for our imports, amounting to probably 7.5 billion dollars.

Any study of our international balance sheet, taking into account, on the one hand, our commitments in loans, foreign deposits, and investments in the United States, etc., and on the other hand probable returns from previous loans and lend-lease, including our citizens' greatly impaired foreign investments, will likely discover that the United States is today a debtor rather than a creditor nation.

There is another angle of our national situation that we cannot ignore. These gifts and loans to foreign nations are spent in current purchase of goods. These gifts are an immediate burden on the taxpayer. The goods furnished under loans also must be paid for immediately while the repayment is referred for years. This has a bearing upon our tax burdens. Including local government expenditures, they now amount to about 35 percent of our national income. No free nation can continue at that rate for long without impairing its productivity.

To pay for our imports and to satisfy the probable gift and loan commitments already made for the next fiscal year, and assuming present prices, we would need to export at about the same ratio as during the past 2 years 14 to 16 billion dollars annually of goods and services.

#### A TEST OF THE LIMITS OF LOANS AND RELIEF

The most definite test of the extent of our ability to aid foreign nations is whether we have been overexporting our resources during the past 2 years, and thus unduly straining our economy. For example, we have exported gigantic

amounts of agricultural products. During the past 12 months the index of our cost of living has advanced more than 20 percent. Increases in the cost of agricultural products were responsible for about 70 percent of this increase. This has contributed greatly to set in motion the inflation spiral of increasing wages with more increases in prices. A good deal of economic disorder and waste was created by interruptions in production in making these adjustments.

Other examples could be cited. Some of our exports have been taken from our own possible railway, factory, and housing reconstruction. Some part of the rise in prices of these materials is due to exports. So much have prices risen in the construction industries with the accompanying wage spiral and costs that we now have considerable unemployment in these trades while at the same time the country is crying for homes and buildings.

I would not contend that the whole rise in living costs, with its inflation spiral, has been due to our large exports. But it cannot be denied that with fewer exports that increase would not have been so great.

The conclusion seems to me irrefutable that as the result of our rate of giving and lending we are overexporting goods and cannot continue at such a rate with our present production and consumption without further evil consequences to our stability.

We cannot estimate how much the curtailment in exports, and hence in giving and lending to finance the trade deficit, might be for the next year until we are able to estimate our next year's surplus in agriculture and other major commodities.

While the world situation requires that we do our best, my own view is that, unless we can undertake to increase our productivity or decrease our consumption of goods, we must seriously reduce the volume of exports below the rate of the last 2 years with a corresponding reduction in the gifts and loans for which we supply goods.

Various proposals have been made for expansion of loans by 50 or more billion dollars. The impracticability of these ideas with our present rate of production must be obvious.

#### STRAIN ON OUR NATURAL RESOURCES

There is a further question of the impairment of our natural resources involved in the export of such materials as iron, oil, metals, lumber, and some other items. As our resources in this sort of commodities are not renewable, their shipment abroad is a depletion of our resources and a charge against our future economy. While such exports may be necessary to restore the world, we cannot ignore the consequences.

#### POSSIBILITIES OF INCREASING OUR AIDS AND MAKING THEM MORE EFFECTIVE

There are certain measures which have been suggested as enabling us to better bear the load or to increase our exports and to make more effective our aid to foreign countries.

#### EXPORTING GOLD

1. It has been suggested that we can export gold from our seeming large stocks and thus enable other nations to buy elsewhere than in the United States. With our present requirements for currency and bank reserves, and to cover the very large foreign demand deposits in our banks, it is necessary that we hold a large stock in reserve. The amount of gold that we have free of such necessities is not material in this situation.

#### INCREASING IMPORTS BY STOCK PILING

2. One proposal is that we at once import more goods and thus diminish the amount of gifts and loans necessary to furnish. This is a very minor help in the immediate world situation. It would be no help to the world to import materials into the United States which are needed elsewhere. Nor would it help to import goods which we ourselves produce economically. That would create unemployment in the United States and weaken our productivity.

There is, however, a method of increasing our imports which should have serious consideration. We could import and stock pile for national defense many commodities, both those we do not produce and those in which our natural resources are being depleted. We do not have enough of such resources to assure

our national defense. Commodities of this kind are tin, manganese, iron ore, mercury, copper, lead, zinc, tungsten, chromite, nickel, and rubber. There are few immediate surpluses of these commodities abroad, but such surpluses will be available within a reasonable time. It happens that few of such commodities are produced by our direct debtors, but our purchase of them would, through multi-lateral trade, strengthen the whole international financial structure and we would be receiving commodities instead of obligations.

#### REESTABLISHMENT OF WARTIME CONTROL MEASURES

3. Another proposal is that we reestablish wartime control measures to increase our productivity or reduce our consumption and thus increase our ability to export more goods. The seeming warranty of this idea arises out of the fact that we exported in goods and services over \$15,000,000,000 in some war years in addition to many billions in supplies to our armies. But we must remember that war-purpose production was greatly expanded and consumption restricted through war-inspired patriotic impulses.

The restoration of these controls would require again the abolition of the production of important commodities; the restoration of longer work hours in labor; the return of women to industry and agriculture, rationing of most commodities, and total government control of all economic activities. That is a form of totalitarian economy which the American people are not likely to accept in peace for it would do violence to our whole concept of freedom. Moreover, without emotional background of fighting for national defense, such measures would more likely decrease than increase our productivity.

#### A METHOD OF INCREASING FOOD EXPORTS

4. Should the next world harvest indicate dangerous shortages, it is possible to increase our food exports for limited periods by voluntarily reducing our own food consumption and altering certain food manufacturing practices. We have here a great spiritual impulse to save starving people. And we may be called upon to do it again unless there is a world increase in food production.

#### COOPERATION OF OTHER NATIONS VITAL TO SALVATION

5. A most productive field of action by which the limited American economic resources can be made more effective for world reconstruction lies in cooperation of foreign nations in the political field.

The obstruction of the Soviet government to peace has, during the past 2 years, imposed billions in expenditures upon us through support of occupation armies and relief to starvation which would not otherwise have been required. However, we can apparently expect little cooperation from that quarter.

But if there were full mutual cooperation from the other nations, it would lessen our burdens and divert much of our dead loss expenditures to more constructive channels abroad.

For instance, cooperation in the three western zones in Germany and in Japan to abolish the inhibitions on their productivity due to wrong concepts of reparations, and levels of industry, would increase their productivity and exports, and thus would greatly reduce the drains upon us for food and other supplies. Restoration of their productivity would aid all other nations. Cooperative action to speed peace, such as I recently outlined in a letter to Congressman Taber would greatly reduce demands upon us.

Such cooperation would allow our resources to flow into channels more beneficial to all the world.

#### POLICIES TO BE ADOPTED

In my view, we need to develop or expand the following policies, some of which are already partially in action.

1. We must have in our own foreign economic relations single, coordinated action in all direct and indirect agencies of government—the relief funds, the Export-Import Bank, the World Bank, the Stabilization Fund, the Federal Reserve System and all those agencies which administer our exports. We must consolidate our front if we are to succeed in our policies.

2. We must prevent excessive exports and by so doing reduce excessive prices. In the matter of food we should begin about August 1 with the new harvest.

3. If necessary to prevent starvation, we should increase our available export surplus volume by voluntary reduction of consumption by the public and alteration of some trade practices.

4. We should periodically estimate the goods and services which we can safely export and limit purchases of our commodities by limiting gifts and loans.

5. We should prepare to stock pile for national defense certain commodities from abroad when they are available in surplus.

6. We should bluntly insist that in return for our sacrifices, which are inherent in all loans and gifts, all nations recipient of our economic aid cooperate with us in measures to reduce the burdens upon us, to promote productivity and bring peace for the world at large.

7. We should insist upon certain principles in operation of gifts and loans, whether directly from our Government or through Government-supported agencies. These principles involve important questions of security, inspection of use, and application to the utmost in increase of productivity.

8. We should concentrate our limited resources in the areas in which western civilization can be preserved.

This problem can be solved if there is prompt unity and mutual aid between other nations, resolution on their part to build back their productivity, and if we act, on our side, with sense and devotion in this great crisis of mankind.

Senator HAWKES. Mr. Chairman, where can we get a copy of that letter by ex-President Hoover, dated July 3, 1919, the whole letter?

Mr. ROSE. The whole letter is several pages long. It is a memorandum in his capacity as a member of the Supreme Economic Council at the Versailles Peace Conference. Since it is a House publication, that publication is the history of our foreign affairs. This is the latest volume which brings that history up through the Paris Peace Conference, and I assume it is available right here in your Library.

Senator BUTLER. Have you the House document number?

Mr. ROSE. It is No. 640, pages 462-468.

I would like to quote one paragraph taken from the 1919 memorandum:

During some short period it may be possible for the Western Hemisphere which has retained and increased its productivity, to supply the deficiencies of Europe. Such deficiencies would have to be supplied in large degree upon credit. But, aside from this, the entire surplus productivity of the Western Hemisphere is totally incapable of meeting the present deficiency in European production if it is long continued. Nor as a practical fact could credits be mobilized for this purpose for more than a short period, because all credits must necessarily be simply an advance against the return of commodities in exchange, and credits will break down the instant that the return of commodities becomes improbable. Further, if sufficient credits be obtained in more than temporary purposes, it would result in economic slavery of Europe to the Western Hemisphere, and the ultimate end would be war again.

And, mind you, that was written before the peace was even signed following World War I. His warning was not heeded then. We did loan more than the European countries were able to pay back. It did lead to economic chaos and run-away inflation and prepared the way for World War II.

Senator HAWKES. Mr. Rose, if that were true, then it is many times more true today, because the sums are vastly greater.

Mr. ROSE. That is right.

Senator HAWKES. If there is any expectation of getting back these funds by putting Europe to work for the repayment of them, it would be slavery.

Mr. ROSE. Exactly.

The economic factors are the same, but they are all multiplied in importance because the volume and the number of countries and people involved is much greater than after the last war.

Since the negotiation of further international tariff agreements can contribute nothing to solving our economic dilemma, since the tariff agreements already negotiated violated, in many instances, the fundamental principle of reciprocity—I have here some data substantiating this statement—and since it is generally conceded that tariff can be a constructive regulator of foreign trade, we have proposed a long-term plan to remove tariff from the area of international controversy.

The proposals of the American Tariff League are incorporated in this printed document, Declaration of Principles and Program for World Trade. We presented the proposals on May 3 to the Subcommittee on Trade Agreements of the House Committee on Ways and Means. We now submit them to you and request that they be made a part of the record, particularly as they have a bearing on the bill before you and our testimony in that connection.

The CHAIRMAN. It will be filed.

(The document will be found in the files of the committee.)

Mr. ROSE. We respectfully request that you read the proposals. We mention this only because it seems evident from the minority report of the Subcommittee of House Ways and Means on H. R. 6556 that the minority members did not read it.

On page 16 of the report it is stated:

The American Tariff League since 1885 has been an organization of business firms and associations advocating a high protective tariff.

This statement ignores the following passage on page 8 of the declaration:

It will be noted that, if at any time in its history of 63 years the league has advanced the principle of high tariff, it was not advocated in the last and is not in this declaration of principles. At the same time, those who have advocated the other extreme of free trade must recognize the prospect of accomplishing the common good on common ground.

The last statement of principles was 3 years ago, and it appears as a part of my testimony before House Ways and Means, May 1 and 2, 1945. We offered at that time, and now in more complete form, a constructive solution of a difficult economic problem. Only through objective study and consideration can the different views be reconciled and a long-term program and policy be evolved by the officials of our Government.

The proposals in this declaration are directed to a long-term program and policy on tariff, in the belief that its adoption will foster world trade, peace, and prosperity. We do not expect you to analyze it in detail today, and we know that there is not time to prepare legislation for its complete adoption in this session of Congress.

Consequently, we agree that it is practical to pass an interim extension of the Trade Agreements Act for 1 year, as in H. R. 6556, in order to give Congress the opportunity to study and develop a long-term program and policy.

Furthermore, because H. R. 6556 incorporates some of the basic principles proposed in our declaration and because to that extent we believe it is in the right direction toward a sound, long-term program and policy, we approve the bill as a whole for an interim measure. Under this or any other act of Congress, however, we see nothing to

be gained by the United States through additional international tariff bargaining agreements.

Some of the attacks on the bill have been either from lack of understanding of how it will operate or from a deliberate effort to give the wrong impression of it to the public. The best description of the bill that I have heard was that given by Representative Christian A. Herter, principal speaker at the world trade luncheon, Hotel Waldorf-Astoria, New York, Friday, May 21, 1948. He pointed out that there were few changes of procedure, that the principal one was that the Tariff Commission instead of the Committee for Reciprocity Information should hold hearings and place limitations on tariff changes, that only if the President insisted on exceeding those limits should the decision rest with Congress, and that those interested in our foreign trade have nothing to fear from this bill.

The CHAIRMAN. Any questions?

If not, thank you very much, Mr. Rose.

Mr. ROSE. Mr. Chairman, I would like to introduce for the record those documents that I referred to.

The CHAIRMAN. They will be put in the record at this point.

(The documents are as follows:)

[From NAM News, May 8, 1948]

#### ANSWER TO CIO'S WAGE CASE

##### PRESENT LEVEL OF PROFITS

The first point that the CIO attempts to make is that profits have reached "unheard-of heights." This assertion is based on National City Bank statistics on profit as a percent of net worth. The CIO quotes these statistics to show that the rate of return on net worth for leading manufacturing corporations in the first 9 months of 1947 was 16.4 percent, as compared with 8.8 percent in 1945. "Regardless of the comparison," says the CIO, "the 16.4 percent average return \* \* \* is an exorbitant rate of return."

This attempt to prove that the present level of profits is unreasonable is based on the suppression of an important part of the evidence and the distortion of the remainder. The evidence which is suppressed is the importance in the statistics of unreal inventory profits. The distortion is in the pretense that the proper manner of analyzing the profit record is in terms of its relation to net worth.

The facts, as published by the United States Department of Commerce, show that fully one-third of the profits reported for the year 1947 are unreal profits arising out of the bookkeeping procedures used in evaluating inventories. Such profits are due to the upward trend of the price level during 1947. They are of no benefit to the firms who seem to have received them, and in any reasonable sense of the word they are not profits at all.

The nature of such "inventory profits" may be best understood in terms of a homely example. Suppose a man bought a house in 1939 for \$5,000. In 1947 he decides to move to another town, and finds that because of the price rise he is able to sell his house for \$10,000. He seems to have made a profit of \$5,000, but he has to have a place to live and when he buys another equivalent house he has to spend the entire \$10,000 he realized on the first. He doesn't have any of the cash left, and he doesn't have a better house than when he started. The \$5,000 profit he seems to have made is imaginary, and he can't spend it.

Business must maintain its inventories if it is to remain in business. These inventories are constantly turning over, and constantly must be replaced. In a period of rising prices such as 1947, the new inventories cost more than the inventories they replace. In this process profits appear on the books of corporations which are unreal. Certainly such profits are not available for wage **increases.**

*Problem recognized*

Fortunately, the Department of Commerce has recognized this problem and has made an estimate of the amount by which reported profits are exaggerated through this cause. According to their official statistics, 5.7 billion dollars out of the total of 17.4 billions dollars of reported corporate profits in 1947 was of this imaginary nature. This 5.7 billion dollars is excluded from the reported total of profits in the Commerce Department's official estimates of national income.

The CIO has chosen to ignore this correction although it is clearly on the record. It has chosen an unofficial set of statistics for which no estimate of the size of the inventory correction is available. However, we may reasonably assume that, since one-third of reported profits as published by the Department of Commerce is imaginary profit due to inventory valuation, the same ratio applies to the National City Bank statistics. This would reduce the 16.4 percent return to 11 percent, which already looks much less "exorbitant."

An even more fundamental source of misunderstanding is the CIO's insistence that profits should be measured as a percentage of net worth. In recent years the productive activity of the economy has increased greatly, and profits have increased along with it. However, the net worth of American corporations has increased only very little. (See table I.) Naturally, the ratio of profits to net worth is greater now than it used to be.

TABLE 1.—*Profit, sales, and net worth of all active corporations in the United States*

[Money figures in billions of dollars]

Year	Net worth, Jan. 1	Profit <sup>1</sup>	Sales	Profit as percent of sales
1929.....	142.9	8.9	138.6	6.4
1930.....	160.4	5.8	118.3	4.9
1931.....	161.3	1.1	92.4	1.2
1932.....	143.4	-2.4	69.2	-3.5
1933.....	133.6	-2.5	73.0	-3.4
1934.....	127.6	4	89.6	4
1935.....	141.6	2.1	102.0	2.1
1936.....	138.9	3.6	119.5	3.0
1937.....	133.5	4.7	128.9	3.7
1938.....	141.6	3.3	108.6	3.6
1939.....	137.4	4.3	120.8	3.6
1940.....	136.9	6.3	135.2	4.7
1941.....	138.4	6.8	176.2	3.9
1942.....	142.6	8.1	202.8	4.0
1943.....	139.6	9.8	233.5	4.1
1944.....	145.7	9.5	244.3	3.9
1945.....	150.4	8.4	237.3	3.5
1946.....	(2)	7.8	245.5	3.2
1947.....	(2)	11.7	3 297.0	3.9

<sup>1</sup> After tax, and after inventory adjustment.

<sup>2</sup> Not available.

<sup>3</sup> NAM estimate based on published data for first 3 quarters.

Source: U. S. Department of Commerce and U. S. Treasury Department.

The CIO attempts to justify its use of net worth as a basis, in the following terms:

"Percentage return on net worth is used by businessmen to measure the profitability of their investment. A 10 percent return on net worth means 10 cents profit on each dollar invested."

*Needs assurance*

Actually, the proprietor of an existing business is not particularly interested in the "profitability of his investment." The number of dollars he may have invested many years back is now a matter only of historical interest. His present concern is rather with the profitability of his operations. He will not undertake a new line of business, or expand an old line, unless he has assurance of a reasonable profit on these contemplated operations. To the ownership of an existing enterprise, profit serves, not as an incentive to invest (for the investment is already committed), but as the incentive to produce.



Actually, those who are familiar with the subject realize that the net worth which appears on a corporation's balance sheet has no precisely definable significance. It does not represent the amount which a firm could get for its assets if it attempted to sell them. It does not represent even an approximation of what the owners could get for their investment if they tried to sell it as a going concern. It does not represent the value which the capital markets assign to the firm under its present management, as registered by the market price of its outstanding stock. Net worth is an attempt to compute the total investment in a concern on the basis of the original number of dollars contributed by the initial stockholders, plus the number of dollars of profit that they have reinvested in the firm each year since. Of course, those dollars are not kept in cash but are invested in plant and equipment, the value of which is affected by all sorts of economic forces. After the lapse of many years net worth ceases to have any precise current significance. It is this meaningless basis that the CIO insists on using in its discussion of the present profit level.

The year-by-year figures for net worth of all corporations (table 1) show how distorted this base is. On January 1, 1945 (the last figure available), corporate net worth was actually less than on January 1, 1931. Yet 1945 was a war-boom year and 1931 was a depression period. In contrast to the decline in net worth, sales by corporations had more than doubled in that interval. Because net worth did not increase in proportion to the war and postwar growth of the economy, it is an unsatisfactory base for comparing present profits with those of earlier years.

The absurdity of the complaint that there has been a considerable increase in "profit as a percent of net worth" may be brought out by applying the same logic to the amount of wages paid by these corporations. The net worth of all American corporations increased by only 9 percent between 1939 and 1945 (the latest figure available). However, the total wage and salary payments of all corporations increased by 131 percent. Shall we, therefore, protest that American corporations were unfairly treated because they had to pay over twice as much in wages while using an investment which had increased by very little? This would be absurd, since that investment was being used much more intensively, and labor was being paid a larger amount on the basis of that increased output.

For all these reasons, NAM believes that the only proper way of comparing present profits with those of earlier years is on the basis of profit margin on sales. On this basis profits are presented as a percentage of total sales, thus showing how much of the sales dollar is profit for the seller. Table 1 gives the record on this basis for all corporations. The results show that in 1947 only 3.9 percent profit was earned on sales of all corporations, which is neither exorbitant nor exceptional when compared with earlier years of good business.

The figures in Table 1 show that American corporations in 1947 did not take, as profit, as large a share of their gross proceeds as they took in 1929, 1930, 1940, etc.

It should be explained that data in the form of profit as a percent of sales may also be misused. This is a fair basis for comparing the profit record as between two different years. It should not be used to compare the profit performance of two different companies or two different industries, in the same year. Such a comparison would not be equitable because certain companies perform only a minor operation on the product they sell, and they do not, of course, expect to retain as large a percentage of the selling price in profit as a company which performs many operations. However, it is perfectly sound to use percentage of sales for making comparisons over an interval of time.

This discussion may be concluded with an appraisal of the current profit situation, in objective terms, by a neutral authority. The Department of Commerce has this to say in its official publication, Survey of Current Business, in the February 1948 issue on page 7:

"In judging the level of profits in the context of the general economic situation the data must be interpreted carefully. In the first place, the figure of \$29,000,000,000 (before taxes) includes \$6,000,000,000 which reflects higher unit costs of inventories. Had corporations charged the same sales prices, but had it been the universal practice to charge to expense the amounts needed to replace the physical volume of inventories used up in production rather than their money value, corporate profits as reported would have been \$6,000,000,000 lower. This latter total of \$23,000,000,000 is the figure reflected by the item 'corporate profits and inventory valuation adjustment' \* \* \*.

"Second, the total value of production in 1947 was higher than ever before and corporate profits shared in the general advance. As a percentage of total

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income originating in the private sphere, corporate profits before taxes corrected for inventory profits were not higher than in prewar years of prosperity although, of course, they were much higher than in depression years. Corporate profits after taxes were lower than in years of prewar prosperity because of the heavier incidence of taxation \* \* \*."

### INTERNATIONAL TRADE AND REVENUE POLICIES OF EUROPEAN COUNTRIES—LITTLE-KNOWN BACKGROUND FACTS AND FIGURES WHICH MUST BE UNDERSTOOD IN ANY PROGRAM FOR EUROPEAN RECOVERY

Memorandum Prepared for American Tariff League, Inc., February 1948, by Dr. John Lee Coulter, Consulting Economist, Washington 5, D. C.

#### INTRODUCTION

The countries of Europe, especially those of northern, western, southern and central Europe, have developed a tremendous volume of international trade during the past century, especially since the development of steamboats and steam railroads, with accompanying introduction of world-wide communication through the telegraph, cable, and telephone and the more recent development of radio.

For many centuries there were important but comparatively small volumes of international trade carried on over caravan routes and with the use of small sailing vessels and coastwise merchant ships, but this trade was relatively trivial compared with recent developments which have accompanied the rise of modern industrialization. This rise of international commerce made necessary the accompanying development of harbors, wharves, docks, canals, and all of the intricate financial machinery which is universally associated with world trade. Navies accompanied merchant vessels and maritime insurance and international exchange became a necessary part of the growth of world trade.

#### GOVERNMENTAL COSTS OF INTERNATIONAL TRADE PROGRAMS

Developments briefly referred to above have called for an increasing volume of Government revenue as well as the private institutions needed to finance this program.

It is highly significant that during the years just before World War II, that is, 1937 or the nearest fiscal year, the 16 separate countries of north, west, south, and central Europe, including the United Kingdom and Ireland, reported:

	<i>Current American exchange</i>
Value of imports.....	\$14, 236, 644, 000
Total tax revenue collected.....	13, 231, 743, 000
Revenue from customs duties and excise taxes imposed on imports .....	2, 603, 784, 000
Ratio of tariffs to value of imports.....	percent 18.3
Ratio of tariffs to total tax revenue collected.....	do 19.6

From this brief table it will be noted: First, that customs duties, excise taxes, and other forms of taxes on imports for this group of countries averaged nearly 20 percent of the landed value of these imports; and, second, that the tariffs thus collected represented almost exactly 20 percent of the total tax revenue collected by these countries from all sources for all purposes.

#### FOREIGN TRADE HAS BEEN A FEATURE OF EUROPEAN EMIGRATION AND COLONIZATION PROGRAMS

No examination of the political and economic problems of European recovery is complete without an understanding of the fact that during this period of magnificent development of international commerce the industrialized nations of Europe contributed literally tens of millions of emigrants to the building of the Western Hemisphere as well as other millions to the development of their colonial empires. These great migrations from the commercial and industrial nations of Europe and this development of such separate nations as the United States and the colonial empires around the world are not only unique in history but form an intricate part of the development of world commerce.

Even after the migration of tens of millions of surplus population, western European countries required imports of foodstuffs and raw materials mounting into billions of dollars in order to provide adequate support for the increasing millions of people at home and to provide raw materials to be converted into finished products to supply the exports needed to compensate for the vast quantities of imports.

In passing it is necessary to at least refer to the fact that during the past 25 years the migration of surplus population to other parts of the world has been reduced to a trickle. At the same time, outside nations such as the United States have continued to develop by leaps and bounds. And parallel to these changes colonial empires have disintegrated with the formation of practically independent dominions and self-governing areas which were formerly classified as possessions of the countries of western Europe. All of this has called for a constantly increasing volume of imports of foodstuffs and raw materials into western Europe and a corresponding development of industrialization and exports in order to maintain balance in international exchange and investments.

When reference is made to European recovery it would be well to define where relief, rehabilitation, and reconstruction stop and where modernization, expansion, emigration, colonization, and foreign trade-development begin.

There is a disposition in all discussions of the European recovery program to make it appear (1) that most of the foreign trade of the countries of Europe consists of trade with each other, similar to interstate trade in the United States, and (2) that the most important economic reform is to get rid of tariffs and trade barriers. In fact, the most important recovery measures would seem to be to restore balanced budgets and sound fiscal policies, stop run-away inflation, restore workable international exchange currencies and multilateral trade, and eliminate foreign discriminations and unfair methods of competition.

EUROPE CONTRASTED WITH OTHER GREAT WORLD POPULATION CENTERS

Europe west of the U. S. S. R., as we knew Russia up to 1940, has an area of 2,067,588 square miles, and just preceding World War II had a population of about 393,000,000 people. (See table B, attached, for details.) In other words, Europe, west of Russia, had an area of about 2,000,000 square miles and a population of about 400,000,000 people.

The following simple comparison is significant :

	Area	Population
	<i>Square miles</i>	
Europe (west of Russia).....	2,068,000	393,116,000
China (including Manchuria).....	1,897,000	435,500,000
India (including Burma).....	1,819,000	352,987,000

From this brief comparison we note that Europe (west of Russia) has an area only very slightly greater than China or India and a population slightly greater than India but slightly less than China. In this comparison, Russia and the vast interior of Asia, including Siberia, are excluded from the comparison in the same manner as the great interior deserts, mountains, and plateaus of Mongolia, Tibet, and Turkestan in central Asia.

Space does not here permit a more detailed comparison of these three dense population regions except to note that, with approximately the same land area and population in each case, Europe poured out tens of millions of people into other parts of the world, developed great colonial empires, built up a tremendous volume of foreign trade, furnished the world with billions of dollars of capital, and raised her own standards of living far above that found in most other parts of the earth's surface. In contrast, China and India largely remained at home, sent few people to populate other parts of the world, developed very little in the way of colonies and foreign trade, and are known to have living standards far below that developed in western Europe. Had China and/or India explored the world, migrated, built up great colonial empires, or established a magnificent system of foreign commerce, the picture of the world as we know it today would obviously have been very different.

This brief memorandum has to do primarily with European foreign trade and tariff policies. The countries of western Europe in 1937 accounted for more

than one-half of all imports into all countries in the world. When the imports of the United States and Canada are added, substantially 75 percent of all world imports are accounted for.

The countries of western Europe, combined, had imports valued at about \$50 per capita on the average. In contrast, all other countries of the world combined had imports which averaged only between \$5 and \$6 per capita. Obviously the imports of these other countries consisted largely of products exported from Europe.

Europe, west of Russia, has a land area only two-thirds that of the United States. Yet her population in 1937 was about three times that of this country. Obviously, with emigration and colonization largely restricted, she had great need for foodstuffs and raw materials in order to provide exports to pay for imports and to maintain her high living standards.

DETAILED EXAMINATION OF CERTAIN ASPECTS OF FOREIGN TRADE AND NATIONAL FISCAL POLICIES OF THE COUNTRIES OF EUROPE DURING THE LAST FULL YEAR OF PEACE BEFORE WORLD WAR II (1937 OR NEAREST FISCAL YEAR)

It is all very well for economic and political philosophers and for statesmen and politicians to deal in general terms with such problems as world peace and national security or with forms of government and systems of economics such as communism and state socialism versus free, private, competitive enterprise with a minimum of supervision under a republican-democratic form of government such as that which prevails in the United States. The historical background and contrasts with other times, conditions, and countries may be instructive. But, before effective concrete and detailed action can be taken (as in the present state of confusion and chaos in the governmental and economic lives of so many people in so many foreign lands), it would seem to be imperative that the detailed facts and figures of the political and economic life of the countries involved must be examined as a basis for aid in any program of recovery such as is contemplated for the countries of Europe.

In this memo we are concerned only with the countries of Europe as they existed during the two decades 1920-40 between World Wars I and II. This is further limited to certain facts with reference to foreign trade and government fiscal policies.

The countries are grouped in such a manner as to make it comparatively easy to combine different areas such as the 10 nations adjoining the U. S. S. R. with Russia and the 14 nations of north, west, south, and central Europe with the United Kingdom and Ireland. Data for Iceland are necessarily combined with those for Denmark, and those for Luxemburg, with those for Belgium, because of lack of separate details. Certain nearby islands, such as Malta and Cyprus, are generally not included in tables showing areas, population, imports, and revenue for Europe as a whole. Because of the form of government of Russia it is not practical to show details of government revenue and receipts from customs duties.

Since wholesale price levels in the United States and throughout the world are now in general about double what they were in 1937-38, it is reasonable to assume that corresponding figures for 1947-48 would be substantially double those given for 1937-38, assuming that physical volume of international trade does not differ greatly from the corresponding period 10 years earlier.

TRADE OF EUROPEAN COUNTRIES WITH EACH OTHER AND WITH THE OUTSIDE WORLD

Attached table A presents the value of imports into each of the 25 countries of continental Europe and the United Kingdom and Ireland during the last representative year before World War II after substantial recovery from the long-drawn-out world depression. In addition to total imports into each country, the table shows imports from other continental European countries. It is highly significant that in the case of the 10 small eastern European nations adjoining Russia, and now largely under Russian control, almost two-thirds of all imports (65.7 percent) came from other countries of continental Europe. When imports from the United Kingdom are included, it appears that substantially three-fourths of all imports into these countries came from other sections of Europe. While there is a considerable amount of industrial development, especially in Czechoslovakia and locally in some of the other countries, it is significant that those countries are largely producers of foodstuffs and industrial raw materials. They

depended upon the more highly industrialized countries of Europe for a very large share of their requirements for manufactured products and paid for these largely with exports of surplus foodstuffs and industrial raw materials.

These countries of eastern Europe in general depended only in small degree upon customs duties or tariffs as a means of developing their industrial life. From the table it appears that, while all imports into these countries were valued at about \$1,210,000,000, revenue derived from customs duties amounted to only \$108,000,000, or slightly less than 9 percent of the value of the imports. It can hardly be said that this was a burdensome tax, yet there is every reason to believe that revenue from this source was an important item in the national budgets of these 10 countries and made it possible for them to maintain sound fiscal policies or balanced budgets. It would seem to be a rather extreme position for the United States to take to try to tell the more than 100,000,000 people of these small countries that they should reform their tariff systems or their general systems of national revenue in order to benefit from contributions which might be made by the Government of this country. In this connection, it is interesting to note that the United States, with a population slightly larger than that of these 10 countries, had over twice as many imports, and the average rate of duty, based upon all imports, was 15.6 percent compared with 8.9 percent for these countries of central Europe. Incidentally, their lower tariff rates apparently did not result in a greater volume of imports, since their imports were only half as much per capita as those into the United States.

Turning now to the 14 countries of northern, western, southern, and central continental Europe, imports into these countries amounted to almost \$9,000,000,000 of which more than \$4,000,000,000, or almost 49 percent, came from other countries of continental Europe. When imports from the United Kingdom are included, it is apparent that probably more than one-half of the imports into these western European countries came from other countries of Europe. In other words, the other one-half of the imports into all of these countries came from non-European sources, including colonial empires.

It will be noted from table A that these 14 countries of Europe derived nearly \$1,500,000,000 from customs duties or tariffs. This was an average of 16.5 percent of the import value of all commodities imported, which was higher than the United States average, even though European tariffs are levied on landed import values while those for the United States are levied on foreign invoices. The range among the 14 countries was from as low as 5.8 percent in the case of Netherlands, Belgium, and Luxemburg to as high as 36.4 percent in the case of Spain. There is nothing in the statistics presented to indicate that the relatively high or relatively low rates of duty influenced the dollar value of imports either from neighboring countries of Europe or from non-European sources. Thus, in the case of Netherlands, Belgium, and Luxemburg, almost exactly 50 percent of their imports came from other countries of Europe. This is almost exactly the same ratio as prevails for the entire group of 14 countries, although the average rate of duty for Benelux is less than one-third the average for the entire group of countries involved.

When we come to the foreign trade of the United Kingdom and Ireland, it is significant that their total volume of imports is one-half as great as the imports of the entire group of 25 continental countries. But a very large portion of this comes from the outlying segments of the British Empire. This is indicated from the fact that only 26.7 percent of all British imports came from continental Europe. According to the table, the average rate of duty on imports into the United Kingdom (21.3 percent) was slightly higher than the average for the countries of continental Europe. This, however, was due primarily to the fact that the rates of duty maintained by Norway and Denmark and the Benelux group were substantially lower than that maintained by any of the other countries, and thus reduced the average for the continental countries.

RELATION OF GOVERNMENT REVENUE FROM CUSTOMS DUTIES TO TOTAL REVENUE COLLECTED BY THE COUNTRIES OF EUROPE FROM ALL SOURCES

Table B again presents all of the same countries in the same order and in the same grouping as shown in table A. From this table it appears that in the case of the 10 countries of eastern Europe adjoining Russia, with a population of 106,536,000, total revenue collected from all sources in the form of taxes

amounted to \$1,302,858,000, or an average of \$12.22 per capita. Of this total, only \$108,276,000, or \$1.02 per capita, came from customs duties. Thus, tariff provided only 8.3 percent of the total revenue collected by these countries. Again, it may be observed that it can hardly be said that the tariff policies of these countries has constituted burdensome trade barriers, and any program promulgated by the United States demanding reform in the matter of tariffs would seem to be out of place.

Turning to the 14 countries of north, west, south, and central Europe, with a population of 236,585,000 people, it is to be noted that total revenue from all taxes amounted to almost \$9,000,000,000, or \$38.02 per capita. This was more than three times as much per capita as the taxes collected by the countries of east central Europe. These 14 countries depended very much more largely upon customs duties as a source of revenue. Revenue from tariff sources amounted to \$1,473,210,000, or \$6.23 per capita. From this it appears that revenues from customs duties represented 16.3 percent of total revenue collected by these governments. To require these 14 countries of continental Europe to reduce or abolish tariffs is equivalent to a requirement that they find new sources of revenue of at least \$1,500,000,000 annually. It is important to stress that while the 10 countries of eastern Europe depend upon customs duties amounting to 8.3 percent of their total state revenue, the 14 remaining countries of Europe depend upon tariffs amounting to 16.3 percent of their total revenue.

Turning to the United Kingdom and Ireland, it is to be noted that, with a population just under 50,000,000, the total government revenue amounted to well over \$4,000,000,000, or \$84.70 per capita. This was more than double the amount indicated as the per capita revenue for the 14 continental countries. Furthermore, the United Kingdom and Ireland maintained a substantially higher ratio of tariffs to total revenue than the average for all of the continental countries combined—26.6 percent, contrasted with 16.3 percent for the 14 continental countries and 8.3 percent for the 10 eastern European countries.

When the results for the 14 western European countries are combined with those for the United Kingdom, we find a total of 236,580,000 people, or double the population of the United States. Almost exactly 20 percent of total government tax revenue, or \$2,603,784,000, is collected by this group from customs duties imposed upon imported commodities. The only obvious conclusion which can be drawn from this is that for the United States to require these countries to substantially reduce customs duties on imported commodities is equivalent to a requirement that they find new sources of revenue amounting to more than 2½ billion dollars annually, in terms of conditions existing before World War II. In view of the fact that the general wholesale price level for all commodities at the present time is substantially double the price levels existing in 1937-38, and in view of the fact that most customs duties in Europe are in terms of ad valorem percentages, it would appear that these countries must currently depend upon customs duties for something like \$5,000,000,000 annually as a contribution toward the support of their several central governments, especially to provide adequate facilities for transportation, communication, and other services connected with foreign trade.

Any program to aid in the economic recovery of western Europe must therefore bear in mind that an attempt to reform the foreign trade policies and tariff policies of these countries will involve a major reform in the entire fiscal or budget systems of these nations.

Can it be that proponents of the theories of free trade are willing for American taxpayers to directly or indirectly pay the costs of these services needed to promote foreign commerce in order to influence world policy in this field?

From a detailed analysis of the attached tables, it does not appear that the present system of customs duties is unduly burdensome. There is no doubt, however, but that the tariffs, in addition to providing revenue, also have had a definite bearing on the industrial development of the several nations.

Any attempt to reform the general tariff structure of Europe must therefore have in mind something far beyond reform in fiscal policies or the subject of government revenues and expenditures.

Can it be that among political and economic planners there is a determination to bring about radical changes in the political and industrial structure of these countries, entirely aside from the more limited program of relief, rehabilitation, and reconstruction (European recovery), in order to influence world policy in this field?

*Imports and customs duties of 25 continental European countries and of United Kingdom and Ireland*

[NOTE: Figures for 1937 or nearest fiscal year. Values in thousands, current United States dollars]

	Total imports from all countries	Total imports from Continental European countries	Ratio to total imports	Customs duties collected on total imports	
				Total	Ratio to total imports
Union of Soviet Socialist Republics.....	\$268, 251	\$100, 719	Percent 37.5	\$163, 180	Percent 60.3
Estonia.....	29, 870	17, 854	59.7	5, 764	19.2
Latvia.....	45, 315	26, 091	57.5	5, 350	11.8
Lithuania.....	35, 778	21, 118	59.0	9, 367	26.1
Subtotal.....	110, 963	65, 063	58.6	20, 481	18.45
Poland.....	237, 351	118, 491	49.9	15, 537	6.5
Czechoslovakia.....	383, 052	225, 972	58.9	29, 814	7.7
Hungary.....	139, 982	115, 354	82.4	8, 636	6.1
Subtotal.....	760, 385	459, 817	60.5	54, 087	7.11
Rumania.....	147, 957	121, 885	82.3	13, 320	9.0
Bulgaria.....	63, 320	56, 522	89.2	( <sup>1</sup> )	( <sup>1</sup> )
Yugoslavia.....	120, 691	91, 787	76.0	19, 241	15.9
Albania.....	6, 598	( <sup>2</sup> )	( <sup>2</sup> )	1, 147	17.3
Subtotal.....	338, 566	270, 194	79.8	33, 708	9.95
Total, 10 countries in Russian zone.....	1, 209, 914	795, 074	65.7	108, 276	8.94
Finland.....	203, 317	110, 614	54.4	37, 549	18.4
Sweden.....	541, 158	283, 363	52.3	113, 561	20.9
Norway.....	321, 111	167, 087	52.0	34, 870	10.8
Denmark.....	375, 582	178, 314	47.4	24, 546	6.5
Subtotal.....	1, 441, 168	739, 378	51.3	210, 526	14.6
Germany.....	2, 198, 506	1, 053, 967	47.9	536, 012	24.3
Austria.....	272, 859	198, 743	72.8	40, 327	14.7
Subtotal.....	2, 471, 365	1, 252, 710	50.6	576, 339	23.3
Netherlands.....	853, 287	446, 360	52.3	50, 224	5.8
Belgium and Luxemburg.....	919, 972	450, 523	48.9	53, 656	5.8
France.....	1, 700, 281	531, 515	31.2	313, 927	18.4
Switzerland.....	412, 227	279, 039	67.0	62, 970	15.2
Subtotal.....	3, 885, 767	1, 707, 437	43.9	480, 777	12.4
Greece.....	137, 676	87, 694	63.6	35, 093	25.4
Italy.....	727, 941	355, 360	48.8	86, 022	11.8
Spain.....	162, 094	93, 855	57.9	58, 066	36.4
Portugal.....	104, 777	44, 487	42.4	26, 387	25.1
Subtotal.....	1, 132, 488	581, 396	51.3	205, 568	18.1
Total, 14 European countries.....	8, 930, 788	4, 280, 921	47.9	1, 473, 210	16.5
United Kingdom.....	5, 087, 695	1, 398, 592	27.4	1, 083, 300	21.2
Ireland.....	218, 161	22, 942	10.5	47, 274	21.7
Subtotal.....	5, 305, 856	1, 421, 444	26.7	1, 130, 574	21.3
Total 14 European nations plus United Kingdom and Ireland <sup>3</sup> .....	14, 236, 644	5, 702, 365	40.0	2, 603, 784	18.3

<sup>1</sup> Not available.

<sup>2</sup> Data not segregated for 1937.

<sup>3</sup> Does not include islands of Iceland, Cyprus, and Malta.

*Population, central government revenue and customs duties of 25 continental European countries and of United Kingdom and Ireland*

[NOTE.—Figures for 1937 or nearest fiscal year. Values in thousands, current United States dollars]

	Estimated population (1,000's)	Revenue from—		Ratio of customs duties to all taxes	Per capita revenue collected from—	
		All taxes	Customs duties		All taxes	Customs duties
U. S. S. R. ....	170,500	( <sup>1</sup> )	\$163,180	Percent ( <sup>1</sup> )	( <sup>1</sup> )	\$0.95
Estonia .....	1,131	\$11,517	5,764	50 0	\$10.18	5 09
Latvia .....	1,951	25,548	5,350	20 9	13 09	2 74
Lithuania .....	2,550	31,948	9,307	29 3	12.52	3.67
Subtotal .....	5,632	69,013	20,481	29.6	12.25	3.64
Poland .....	34,500	310,220	15,637	5 0	8 99	45
Czechoslovakia .....	15,263	410,958	29,814	7 2	26.92	1.95
Hungary .....	9,035	158,372	8,636	5 4	17.52	.95
Subtotal .....	58,798	879,560	54,087	6 1	14.95	.92
Rumania .....	19,423	132,483	13,320	10.1	6.82	.68
Bulgaria .....	6,280	49,686	( <sup>2</sup> )	( <sup>2</sup> )	7 91	( <sup>2</sup> )
Yugoslavia .....	15,400	166,103	19,241	11 6	10 78	1 24
Albania .....	1,003	6,013	1,147	19 0	5 99	1.14
Subtotal .....	42,106	354,285	33,708	9 5	8 41	.80
Total, 10 countries in Russian zone .....	106,536	1,302,858	108,276	8 3	12 22	1.02
Finland .....	3,807	69,993	37,549	53 6	18 38	9.86
Sweden .....	6,285	222,296	113,561	51 1	33.36	18.06
Norway .....	2,907	106,538	34,870	32 7	36 64	11.99
Denmark .....	3,749	117,894	24,546	20 8	31.44	6.54
Subtotal .....	16,749	516,721	210,526	40 7	30 85	12.56
Germany .....	67,587	3,558,819	536,012	15 1	52.65	7.93
Austria .....	6,760	285,627	40,327	14.1	42.25	5.96
Subtotal .....	74,347	3,844,446	576,339	14.9	51 71	7.75
Netherlands .....	8,635	276,149	50,224	18 2	31.98	5.81
Belgium and Luxembourg .....	8,659	302,861	53,656	17 7	34.97	6.19
France .....	41,906	1,519,164	313,927	20 7	36.25	7.49
Switzerland .....	4,174	100,045	62,970	62 9	23.96	15.08
Subtotal .....	63,374	2,198,219	480,777	21.8	34 68	7 59
Greece .....	6,205	100,344	35,093	35 0	16.17	5.64
Italy .....	43,786	1,265,698	86,022	6 8	28.90	1.96
Spain .....	24,819	470,882	58,066	12 3	18.94	2.33
Portugal .....	7,275	81,269	26,387	32 5	11 17	3.62
Subtotal .....	82,115	1,913,193	205,568	10.7	23.35	2.50
Total, 14 European countries .....	236,585	8,994,309	1,473,210	16.3	38.02	6.23
United Kingdom .....	47,029	4,113,037	1,083,300	26.3	87.45	23.03
Ireland .....	2,966	124,406	47,274	38.0	41 47	15.76
Subtotal .....	49,995	4,237,443	1,130,574	26.6	84.75	22.61
Total, 14 nations plus United Kingdom and Ireland .....	286,580	13,231,743	2,603,784	19.6	46.17	9.08

<sup>1</sup> Data not segregated for 1937.

<sup>2</sup> Not available.

IMPORTANCE OF NEGOTIATING WITH PRINCIPAL FOREIGN COMPETING COUNTRIES IN MAKING CONCESSIONS IN TRADE AGREEMENTS

By Dr. John Lee Coulter, Consulting Economist, The American Tariff League, Inc.

In oral testimony before the subcommittee of the Ways and Means Committee of the House of Representatives, during hearings pertaining to extension of



the Trade Agreements Act, the writer of this memorandum made a statement to the effect that since the law requires the extension of all concessions made in any trade agreement to be given likewise to all other countries (with the exception of those charged with discrimination against the United States exports) the State Department should, without exception, carry on negotiations only with the principal foreign competing country.

Furthermore, if there are two or more leading foreign suppliers some arrangement should be made whereby concessions granted would be extended to others than the principal supplier only after some special arrangements had been made such as a reclassification of the commodity in question or temporary application of the principle of quantitative control. Unless this procedure is followed, it must be evident that the United States cannot honestly pretend that the trade agreements negotiated are truly reciprocal in character since there would be no possible way to secure equivalent concessions from other countries or what has frequently been referred to as *quid pro quo*.

The writer of this memorandum then proceeded to state that during negotiations with a group of nations at Geneva, the State Department in the case of more than 25 percent of all major commodities, carried on negotiations with other than the principal foreign competing countries. Thereafter, concessions granted were extended to all other nations. (The principal commodities were defined as those which were imported in substantial amounts during the years preceding World War II. Commodities included were all tariff items where imports in 1939 amounted to \$500,000 or more.)

In rebuttal testimony the Honorable William C. Clayton commented to the effect that there were a few minor cases where exceptions were made, particularly if the principal foreign competing country during the prewar years happened to be Germany, Austria, Italy, or Japan with whom the United States did not have trade agreements and our foreign-trade relations with them at the present time are still on a wartime basis.

It was further stated that in some cases negotiations were in fact carried on more or less simultaneously with two or more different countries at the Geneva Conference in such a manner that total concessions received were expected to be the equivalent to concessions granted by the United States.

A detailed tabulation has now been completed, and it shows that during the Geneva Conference tariff concessions in rates of duty were granted in the case of 189 major products, as defined above. In the case of at least 53 of these, or 28 percent of the total number, negotiations were carried on with other than the principal foreign competing country.

Mr. Clayton further stated that if the comparison were made on the basis of total value of imports, it would be found that generally the deviation from the rule would be found to apply primarily in the case of relatively secondary items, and that on the basis of total value this deviation would apply to less than 15 percent.

The tabulation indicates that total value of imports of the 189 products in question amounted to \$450,269,000 in 1939. Actually, the import value of the 53 items, where negotiations were carried on with other than the principal supplier, was \$59,373,000, or slightly less than 15 percent, as indicated by Mr. Clayton. However, this could be so misleading that a supplementary statement, together with a complete list of the more than 50 important illustrations referred to, seems highly desirable.

In the complete list referred to, Cuban sugar, sirup, and molasses are included, with a total value of \$79,290,000. It should, of course, be noted that these items in the trade agreement with Cuba represent, in fact, the only true reciprocal-trade agreement negotiated under the Trade Agreements Act. It is, in fact, bilateral in character, and conforms to dictionary definitions of reciprocity. On the other hand, the second largest item included among all negotiations is the item of whisky, of which imports in 1939 were valued at \$39,983,000. An examination of the record discloses that while the United Kingdom was, and is, the principal source of supply for this commodity, the original concession was granted in a trade agreement with Canada, effective January 1, 1936, and this concession was extended to the United Kingdom at that time. In later agreements with Canada and the United Kingdom these concessions were confirmed. When adjustments are made for these two items (sugar and whisky) the record shows that in the case of 27 percent (when measured by value) negotiations were carried on with other than the principal foreign supplier or competing country.

In order that the record may be complete there is attached hereto a statistical table of 7 pages citing the more important illustrations. In each case there is shown the value of imports of the commodity in question in 1939 together with imports from each of the principal foreign suppliers and in each case a star is placed after the name of the country with which bargaining was conducted at Geneva. Space does not permit a discussion in detail in this memorandum of the more than 50 clear-cut illustrations in question. This will be seen at a glance at items on the first page. In each case the change in rate of duty is indicated in order to complete the most useful information on the subject.

The Statistical Abstract records the value of dutiable imports into the United States in 1939 as \$878,819,000. In the reports from Geneva we are advised that of this total value those made subject to reduced rates of duty as of January 1, 1948 had a total value of \$718,684,000 or more than 80 percent of all dutiable imports. It has already been noted in this memorandum that 189 large items had a total value of imports in the amount of \$450,269,000, indicating that these 189 items had a larger value than all of the minor items combined. But what has been said of these large items applies with equal validity to the hundreds of smaller ones.

TABLE 20.—Principal articles on which the Geneva agreement fixed rates lower than the original preagreement rates

["Q" in value column indicates that the reduced duty is subject to some quota provision]

Tariff paragraph	Tariff schedule, article and principal supplying countries	Value of imports 1939	Rate of duty (ad valorem equivalent)		
			Before any agreement	As of 1947	As of Jan. 1, 1948
	SCHEDULE 1—CHEMICALS, OILS, AND PAINTS				
5	Medicinal preparations of animal origin—Total	688	25.0	12.5	12.5
	Switzerland	273			
	Belgium	198			
	Germany	91			
	New Zealand <sup>1</sup>				
29	Cobalt oxide—Total	945	14.6	7.3	7.3
	Belgium	332			
	Germany	276			
	France <sup>1</sup>	178			
	Finland	160			
	Canada <sup>1</sup>				
34	Vegetable or animal drugs, n. e. s.—Total	512	10.0	10.0	5.0
	Japan	197			
	Norway	94			
	China <sup>1</sup>	52			
51	Menthol, natural—Total	766	23.2	23.2	18.5
	Japan	615			
	Brazil <sup>1</sup>				
218 (f)	Glass Christmas tree ornaments—Total	784	60.0	60.0	50.0
	Germany	633			
	Poland and Danzig	96			
	Japan	48			
	Czechoslovakia <sup>1</sup>	7			
218 (i)	Blown glass table and kitchen articles, valued less than \$1 each, etc.—Total	797	60.0	60.0	50.0
	Belgium	222			
	Germany	92			
	France	50			
	Czechoslovakia <sup>1</sup>	44			
218 (l)	Blown glassware other than bulbs, and table and kitchen articles, valued less than \$1 each—Total	661	60.0	60.0	50.0
	Germany	182			
	Italy	76			
	France	70			
	Czechoslovakia <sup>1</sup>	55			
	SCHEDULE 3—METALS AND MANUFACTURES OF				
301	Pig Iron, containing more than 4/100 percent of phosphorus—Total	545	7.2	7.2	4.8
	British India	350			
	Netherlands <sup>1</sup>	127			
	Canada	65			
	Belgium <sup>1</sup>				

See footnote at end of table.

TABLE 20.—Principal articles on which the Geneva agreement fixed rates lower than the original preagreement rates—Continued

Tariff paragraph	Tariff schedule, article and principal supplying countries	Value of imports 1939	Rate of duty (ad valorem equivalent)		
			Before any agreement	As of 1947	As of Jan. 1, 1948
<b>SCHEDULE 3—METALS AND MANUFACTURES OF—CON.</b>					
302 (a)	Manganese ore, containing 35 percent and over of manganese (except from Cuba and Philippine Republic)—Total	1,000 dollars	Percent	Percent	Percent
	Gold Coast <sup>1</sup> .....	6,719	86.2	43.1	21.6
	Soviet Union.....	3,019			
	British India.....	2,204			
	Brazil <sup>1</sup> .....	1,055			
302 (d)	Ferromanganese, 30 percent or more manganese containing not less than 4 percent carbon—Total	1,440	60.9	32.3	22.2
	Netherlands.....	562			
	Norway <sup>1</sup> .....	510			
	Czechoslovakia.....	162			
	Poland and Danzig.....	118			
312	Structural iron and steel beams, girders, etc., not assembled—Total	1,323	13.2	13.2	8.2
	Belgium <sup>1</sup> .....	1,045			
	France.....	255			
	Netherlands <sup>1</sup> .....				
369 (c)	Parts of automobiles, except tires, etc., "Other"—Total	901	25.0	25.0	12.5
	Germany.....	817			
	Canada <sup>1</sup> .....	39			
372	Machinery and parts, n. e. s., except agricultural—Total	1,545	27.5	27.5	15.0
	Germany.....	805			
	Switzerland.....	218			
	United Kingdom <sup>1</sup> .....	152			
	France.....	92			
374	Aluminum scrap—Total	761	53.1	39.8	19.9
	United Kingdom.....	496			
	France.....	175			
	Canada <sup>1</sup> .....	72			
393	Zinc ores (dutiable except pyrites)—Total	1,304	77.0	38.5	38.5
	Peru.....	941			
	Mexico.....	302			
	Canada <sup>1</sup> .....	41			
	United Kingdom <sup>1</sup> .....				
394	Zinc blocks, pigs, etc. (dutiable)—Total	1,890	57.3	28.7	28.7
	Mexico.....	872			
	Canada <sup>1</sup> .....	427			
	Belgium.....	363			
	Norway.....	94			
397	Manufactures wholly or in chief value of base metal other than iron and steel, not plated with gold, etc., n. s. p. f.—Total	580	45.0	45.0	22.5
	Germany.....	179			
	Japan.....	112			
	France.....	84			
	United Kingdom <sup>1</sup> .....	67			
	Sweden.....	44			
<b>SCHEDULE 4—WOOD AND MANUFACTURES</b>					
403	Brier, ivy, or laurel root, etc.—Total	616	10.0	10.0	5.0
	Italy.....	373			
	France <sup>1</sup> .....	128			
	Algeria <sup>1</sup> .....	92			
412	Manufactures of wood or bark, n. e. s.—Total	799	33.3	33.3	25.0
	Germany.....	114			
	Canada.....	90			
	France.....	89			
	United Kingdom.....	54			
	Italy.....	54			
	Czechoslovakia <sup>1</sup> .....	6			

See footnote at end of table.

TABLE 20.—Principal articles on which the Geneva agreement fixed rates lower than the original preagreement rates—Continued

Tariff paragraph	Tariff schedule, article and principal supplying countries	Value of imports 1939	Rate of duty (ad valorem equivalent)		
			Before any agreement	As of 1947	As of Jan. 1, 1948
SCHEDULE 5—SUGAR, MOLASSES, AND MANUFACTURES					
506	Sugar candy and confectionery, n. s. p. f. Valued 6¢ or more per lb.—Total	1,000 dollars	Percent	Percent	Percent
	Italy	555	40.0	20.0	14.0
	United Kingdom <sup>1</sup>	122			
	Netherlands	113			
	Estonia	59			
	Latvia	47			
		34			
SCHEDULE 7—AGRICULTURAL PRODUCTS AND PROVISIONS					
710	Blue-mold cheese, at specific rate—Total	514	41.7	29.6	29.6
	Denmark	370			
	Italy	102			
	France <sup>1</sup>	33			
742	Grapes "Other" than hothouse, Feb. 15-June 30—Total	504	18.5	9.2	4.6
	Argentina	456			
	Chile	34			
	Union of South Africa <sup>1</sup>	14			
747	Pineapples: In crates from Cuba—Total	1,132	38.3	19.1	19.1
	Prepared or preserved, except from Cuba and Philippine Republic, n. s. p. f.—Total	633	56.9	28.4	21.3
	Japan	555			
	British Malaya	74			
	China <sup>1</sup>	( <sup>2</sup> )			
	Prepared or preserved, n. s. p. f. from Cuba	680	28.8	14.4	9.9
775	Sauces, n. s. p. f.—Total	504	35.0	35.0	17.5
	Japan	297			
	China <sup>1</sup>	70			
	United Kingdom	44			
	Hong Kong	31			
	British India	31			
775	Vegetables, cut, sliced, etc., n. s. p. f.—Total	662	35.0	35.0	17.5
	Japan	273			
	China <sup>1</sup>	184			
	Hong Kong	81			
	Italy	52			
	Canada	29			
SCHEDULE 8—SPIRITS, WINES, AND OTHER BEVERAGES					
804	Vermouth, in containers of 1 gallon or less—Total	1,901	90.8	45.4	36.3
	Italy	1,142			
	France <sup>1</sup>	753			
805	Malt liquors, etc., in containers hold each 1 gallon or less—Total	1,343	50.0	25.0	25.0
	Ire	391			
	United Kingdom <sup>1</sup>	287			
	Netherlands	224			
	Germany	94			
SCHEDULE 9—COTTON MANUFACTURES					
904 (b)	Cotton cloth, bleached, less than 1½ ounces per square yard, average yarn number over 85, not woven with swivel attachments—Total	865	44.5	35.0	30.0
	Switzerland	840			
	United Kingdom <sup>1</sup>	25			
904 (d)	Cotton cloth, printed, dyed, or colored, subject to additional duty because woven with 8 or more harnesses, or with Jacquard, lappet, or swivel attachments—Total	636	35.8	Est. 24.0	Est. 21.5
	Belgium	440			
	United Kingdom <sup>1</sup>	122			

TABLE 20.—Principal articles on which the Geneva agreement fixed rates lower than the original preagreement rates—Continued

Tariff paragraph	Tariff schedule, article and principal supplying countries	Value of imports 1939	Rate of duty (ad valorem equivalent)		
			Before any agreement	As of 1947	As of Jan. 1, 1948
	<b>SCHEDULE 9—COTTON MANUFACTURES—CON.</b>	<i>1,000 dollars</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
908.....	Tapestries and Jacquard-figured upholstery cloths, of cotton or other vegetable fiber—Total.....	1,100	55	55 0	40 0
	Italy.....	705	-----	-----	-----
	Belgium <sup>1</sup> .....	230	-----	-----	-----
	United Kingdom.....	70	-----	-----	-----
	France.....	68	-----	-----	-----
	Netherlands <sup>1</sup> .....	( <sup>2</sup> )	-----	-----	-----
915.....	Cotton gloves made of warp-knit fabric, valued at \$1.50 or more per dozen pairs—Total.....	1,076	60.0	60.0	43.1
	Belgium.....	409	-----	-----	-----
	Switzerland.....	175	-----	-----	-----
	Germany.....	152	-----	-----	-----
	Poland and Danzig.....	146	-----	-----	-----
	France.....	115	-----	-----	-----
	Czechoslovakia <sup>1</sup> .....	37	-----	-----	-----
	<b>SCHEDULE 10—FLAX, HEMP, JUTE, AND MANUFACTURES OF</b>				
1014.....	Napkins of flax, finished or unfinished exceeding 130 threads square inch—Total.....	821	40.0	25 0	15 0
	United Kingdom <sup>1</sup> .....	711	-----	-----	-----
	Belgium.....	40	-----	-----	-----
	Czechoslovakia <sup>1</sup> .....	29	-----	-----	-----
	Germany.....	23	-----	-----	-----
1023.....	Flax manufacturers, n. s. p. f.—Total.....	635	40 0	40.0	20.0
	Belgium.....	255	-----	-----	-----
	United Kingdom.....	162	-----	-----	-----
	Czechoslovakia <sup>1</sup> .....	153	-----	-----	-----
	<b>SCHEDULE 11—WOOL AND MANUFACTURES OF</b>				
1101(a).....	Donskoi, Smyrna, etc., wool, in the grease (durable)—Total.....	1,338	85.4	46 1	46 1
	Argentina.....	499	-----	-----	-----
	British India.....	300	-----	-----	-----
	United Kingdom.....	270	-----	-----	-----
	New Zealand <sup>1</sup> .....	197	-----	-----	-----
1101(a).....	All other wools not finer than 40s (durable) Woolen type, in the grease—Total.....	879	90.2	48 7	48.7
	Argentina.....	634	-----	-----	-----
	New Zealand <sup>1</sup> .....	96	-----	-----	-----
	United Kingdom.....	72	-----	-----	-----
	Uruguay.....	27	-----	-----	-----
1101(a).....	Worsted type, in the grease—Total.....	1,910	90 0	48 6	48 6
	Argentina.....	1,257	-----	-----	-----
	New Zealand <sup>1</sup> .....	290	-----	-----	-----
	United Kingdom.....	166	-----	-----	-----
102(a).....	Wools, n. s. p. f. Worst type, finer than 40s but not finer than 44s, in the grease—Total.....	911	92 2	54.4	54 4
	Uruguay.....	414	-----	-----	-----
	New Zealand <sup>1</sup> .....	286	-----	-----	-----
	Argentina.....	92	-----	-----	-----
1102(b).....	Worsted type, finer than 44s but not finer than 56s: In the grease—Total.....	2,385	86.9	86.9	65 2
	Uruguay.....	1,332	-----	-----	-----
	United Kingdom.....	300	-----	-----	-----
	Argentina.....	272	-----	-----	-----
	New Zealand <sup>1</sup> .....	209	-----	-----	-----
	Canada.....	161	-----	-----	-----
	Australia <sup>1</sup> .....	66	-----	-----	-----
1116 (a).....	Hand-made oriental, etc., rugs—total.....	2,577	63 2	31.6	28.0
	Iran.....	2,009	-----	-----	-----
	China <sup>1</sup> .....	334	-----	-----	-----
	British India.....	53	-----	-----	-----
1117 (c).....	Floor coverings, including mats and druggets, n. s. p. f. (other than Angora goat) valued not over 40 cents per square foot—total.....	913	30 0	30 0	15.0
	China.....	368	-----	-----	-----
	British India <sup>1</sup> .....	352	-----	-----	-----
	Japan.....	141	-----	-----	-----

See footnote at end of table.

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TABLE 20.—Principal articles on which the Geneva agreement fixed rates lower than the original preagreement rates—Continued

["Q" in value column indicates that the reduced duty is subject to some quota provision]

Tariff paragraph	Tariff schedule, article and principal supplying countries	Value of imports 1939	Rate of duty (ad valorem equivalent)		
			Before any agreement	As of 1947	As of Jan. 1, 1948
<b>SCHEDULE 12—SILK MANUFACTURES</b>					
1205	Woven fabrics of silk, exceeding 30 inches in width; not Jacquard-figured; bleached, etc.; all silk; over \$5 50 per pound—total.	1,000 dollars 973	Percent 55.0	Percent 45.0	Percent 25.0
	United Kingdom	467			
	France <sup>1</sup>	449			
	Switzerland	24			
<b>SCHEDULE 15—SUNDRIES</b>					
1504 (b)	Hats, bonnets, etc., not sewed, etc.: Paper, bleached, etc.—total.	980	36.8	36.8	26.3
	Japan	974			
	China <sup>1</sup>	4			
1504 (b)	Hats, bonnets, not sewed, etc.; straw, not bleached, etc.—total.	610	25.0	25.0	15.0
	Italy	205			
	China <sup>1</sup>	227			
	Japan	71			
1504 (b)	Straw, bleached, etc.—total.	581	33.1	33.1	23.1
	Italy	446			
	China <sup>1</sup>	89			
	Japan	32			
1519 (b)	Squirrel skins, not dyed—total.	615	65.0	35.0	17.5
	Soviet Union	610			
	United Kingdom <sup>1</sup>	2			
1528	Imitation precious and semiprecious stones, etc., cut, etc., except synthetic—total.	1,897	20.0	20.0	10.0
	Germany	1,640			
	Czechoslovakia <sup>1</sup>	166			
	France	60			
1530 (a)	Calfskins Dry and dry salted—total.	687	10.0	5.0	5.0
	Netherlands	114			
	Poland and Danzig	114			
	Finland	75			
	Norway	65			
	New Zealand <sup>1</sup>	42			
	Australia <sup>1</sup>	10			
1530 (b) (4)	Calf and kip upper leather—Total.	2,283	15.0	15.0	12.5
	Netherlands	1,060			
	United Kingdom <sup>1</sup>	283			
	Canada	244			
	Belgium	204			
	Poland and Danzig	174			
1532 (a)	Women's and children's leather gloves, not over 12", machine seamed, not lined (at specific rate) Overseamed—Total.	549	69.8	69.8	63.5
	Belgium	348			
	France	188			
	Czechoslovakia <sup>1</sup>	5			
1551	Motion-picture film sensitized but not exposed or developed, 1 inch or more in width, positive—Total.	1,187	53.4	26.7	13.4
	Canada	1,018			
	Belgium <sup>1</sup>	111			
	Italy	53			
<b>FREE LIST—TAXABLE</b>					
1658	Copper—Unrefined, black, blister, <sup>3</sup> in pigs or converter bars—Total.	961	47.4	47.4	23.7
	Mexico	588			
	Canada	157			
	Chile <sup>1</sup>	120			
	Yugoslavia	50			
	Peru	47			

<sup>1</sup> Country with which bargaining was conducted at Geneva.

<sup>2</sup> Negligible.

Senator BUTLER (presiding). The next witness is Mr. Jones.

**STATEMENT OF J. M. JONES, SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION, SALT LAKE CITY, UTAH**

Mr. JONES. My name is J. M. Jones. I am secretary of the National Wool Growers Association, with headquarters at Salt Lake City, Utah.

Senator BUTLER. You may proceed, Mr. Jones.

Mr. JONES. Thank you, sir. I have attempted to confine my approach to this bill to the standpoint as to how we feel, how we have been affected as wool growers by the Reciprocal Trade Agreements Act, and also how we would be affected by H. R. 6556.

The National Wool Growers Association is a voluntary and unincorporated organization of wool growers, founded in 1865 for the purposes, first, to secure for the business of wool growing equal encouragement and protection with other great industrial interests of our country; second, to protect the interests of sheepmen in the framing of a protecting tariff on wool and lambs.

Our association has never forsaken the principle that it is the constitutional obligation and duty of the Congress to approve tariffs. We appear here in support of the amendment to the present Reciprocal Trade Agreements Act as authorized in H. R. 6556 as a compromise and in the belief that the bill now pending before this committee is an improvement over the present Reciprocal Trade Agreements Act.

If the time of the committee permitted, I could relate the history of the domestic sheep industry, its present condition, and the future outlook, but I am sure this is not particularly important to this committee in the consideration of H. R. 6556. However, certain facts must be developed so that the position of the sheep producers of this country is made clear.

In 1934, concern of the wool growers and their representatives was so great that Senator O'Mahoney, of Wyoming, secured from the then President of the United States, under date of June 5, 1934, the following letter:

MY DEAR SENATOR O'MAHONEY: My concern that agricultural prices should be protected and where possible substantially raised ought to be well known by this time. That is why I was surprised that a question should be raised about wool. The new tariff bill has been thought of as one of the emergency measures which would help in the general effect to rehabilitate agriculture and industry together. The wool industry is one of those which needs price protection, and the suggestion that the new tariff bill might be used to lower those prices is one which would not have occurred to me. That is the thought I expressed to you, Senator Costigan, and others on May 9. I have read the statement which you issued, and, as I might expect, it correctly reports the facts.

I hope you will have no further concern for fear that something damaging to the industry may result from the legislation.

On May 25, 1945, President Truman, in his letter to Congressman Sam Rayburn, of Texas, reassured American industry concerning trade agreements. A portion of this letter follows:

I have had drawn to my attention statements to the effect that this increased authority might be used in such a way as to endanger or "trade out" segments of American industry, American agriculture, or American labor. No such action

was taken under President Roosevelt and Cordell Hull, and no such action will take place under my Presidency.

The statement of the late President Roosevelt, namely:

The wool industry is one of those which needs price protection, and the suggestion that the new tariff might be used to lower those prices is one which would not have occurred to me—

and the concurrence in that statement by President Truman is an admission that a tariff on wool is necessary.

It is admitted by both the Army and Navy that no substitute was found for wool during the war and that wool is a critical material.

The Governments of the United States and Great Britain felt wool was a strategic material by stock piling millions of pounds in the United States in the early part of the war. The consumption of wool during peacetime shows conclusively that wool in the United States is essential in peace as in war.

In spite of these promises, briefly, the facts are:

(1) In 1936 an agreement with France reduced duties on yarn, pile, and knit fabrics, decreasing potential demand for domestic wool.

(2) In 1939 the importation of rags from Great Britain was increased approximately 700 percent, or the equivalent of 20,000,000 pounds of wool. The duty was reduced from 18 cents to 9 cents per pound.

(3) In 1940 an agreement with Argentina reduced the rate of dutiable wools not finer than 40's from 24 cents to 13 cents; those not finer than 44's from 29 cents to 17 cents.

(4) In 1942 an agreement with Mexico reduced the duties on sheep and lambs from \$3 per head to \$1.50 per head.

(5) The Geneva Agreement, effective January 1, 1948, on wools grading higher than 44's—and those are the wools that are produced in this country in greater amounts than any of the others—were reduced 25 percent, or from 34 cents per clean pound to 25½ cents; duties on fresh lamb and mutton were reduced 50 percent, or from 7 cents per pound to 3½ cents for lamb and from 5 cents on mutton to 2½ cents. These concessions were made at a time when the liquidation of the domestic industry was progressing at the most rapid rate in history. This action by the executive branch of Government was apparently made on the "calculated risk" basis.

Senator HAWKES. May I interrupt you there?

Mr. JONES. Certainly, Senator Hawkes.

Senator HAWKES. May I ask if your industry was consulted in any way? Did you have your day in court to show the Government this should not be done and it was not keeping faith?

Mr. JONES. We did, sir, through the form which is provided for us. We submitted our briefs. We did not appear personally before the Committee for Reciprocity Information, because we found through experience it had no effect, and we lived quite a way away and did not come to Washington. We did submit a printed brief.

Senator HAWKES. In other words, you considered it a waste of time to come here and present this thing personally?

Mr. JONES. Before the Committee of Reciprocity; yes, sir.

Senator BUTLER. You speak in the last part of the paragraph there of the liquidation of the domestic industry. I wonder if you include



in your statement or any insertions some facts and figures substantiating that statement.

Mr. JONES. I would be happy to, Senator Butler.

Senator BUTLER. I wish you would include that at the end of your statement for the record.

Mr. JONES. I will, sir.

It is impossible to determine the effects of these tariff reductions on the domestic sheep industry because of the abnormal conditions that have prevailed prior to, during, and since World War II. Nor will these effects be apparent so long as this country continues to pour billions of dollars into foreign countries, creating an artificially stimulated foreign economy.

However, I am positive the uncertainty of the future tariff policy was a big factor and still is one of the important causes for liquidation of the domestic sheep industry.

The present attitude of the State Department continues this uncertainty.

For example, when the Eightieth Congress in 1947 voted to make section 22 of the present AAA Act applicable to wool, as this act applies to other agricultural commodities, when and if determined necessary by the President, to protect the Government against excessive loss in its purchase of all domestic wool, which condition could be brought about by the dumping of foreign wool on the American market, the then Under Secretary of State flew from the Geneva Conference to Washington, claiming that the application of the present law to wool would "blow up" the entire Conference.

Senator HAWKES. I might remark in there, it is my own personal view it might have been good if some of those conferences had been blown up.

Mr. JONES. Many unfounded statements by press, radio, and the State Department were made against the domestic sheep industry. The President vetoed the bill, but later signed a subsidy program bill for wool with section 22 removed.

This is an example of the State Department's unwillingness to give any quarter, even for the purpose of preventing loss to the United States Government. Their opposition to H. R. 6556 indicates their demand for complete domination over domestic industry as far as tariffs are concerned, when, after all, it is the duty of Congress by constitutional authority to pass upon this matter.

Our industry has lost confidence in the ability of the State Department to bargain for the domestic sheep industry.

For example, the very day the results of the Geneva Conference were announced, the Association Press carried a statement that Canada's new restrictions on imports from the United States would mean \$300,000,000 blow to American exporters and manufacturers. Government officials were reported as saying that they regarded the Canadian restrictions as a temporary "necessary evil" to be removed when Canada's financial position improved.

"The American Government offered no objection," they said, "because Canada probably would be forced to take more drastic action later had it permitted the drain on its scanty dollar resources to go unchecked."

Perhaps this last sentence is true, but of what value are reciprocal trade agreements in a case of this kind to the country in which we are primarily interested?

We have another objection to the present administration of the reciprocal trade agreements which can best be explained by another illustration.

Only very vague reports of the Geneva Conference came to us when the Conference was in progress, and most of them rumors. This was not true with the Australian Government, who insists that their representatives report back to them before a trade is consummated. As a result the Australian Wool Control, known as the Joint Organization, immediately on learning of the offer made by our State Department to cut duties 25 percent, immediately increased the price of their wool a like amount.

One of the big arguments for reduced duties is the gain price-wise for the American consumer. In analyzing the action taken above, (1) the American consumer did not benefit from the tariff reduction; (2) the United States Treasury lost  $8\frac{1}{2}$  cents per clean pound on all dutiable wools imported, which on the basis of 1947 importations would amount to \$24,300,000; and (3) the foreign countries received the dollars.

There has been some criticism of the ability of the United States Tariff Commission to do a reasonably fast job in determining estimated costs of production of an industry. We have had some experience in that connection concerning the domestic sheep industry.

At the request of Members of the United States Senate the Tariff Commission prepared the estimated costs of production for a number of years on the sheep industry. The last request was for the year 1946. In February 1947 these costs-of-production figures were released. This is within 2 months of the close of the calendar year 1946.

Mr. Chairman, I have a copy of that report showing the release date as of February 1947.

Senator HAWKES. Mr. Chairman, do you not want to file that?

Senator BUTLER. He can file that with the record.

Mr. JONES. It is too long. I do not imagine you would want to include it in the record, but the date is there, sir.

Senator BUTLER. Yes; it will be filed.

(The report may be found in the files of the committee.)

Mr. JONES. As far as our industry is concerned, this cost data is far superior to any "calculated risk" the State Department could make of our industry. The cooperation of the Department of Agriculture with the Tariff Commission and the Tariff Commission making the recommendations as to maximum and minimum tariff changes to the President is, in our opinion, preferable to the "iron curtain" of the interdepartmental committee.

It is in our judgment no crime to protect American industry against the influx of materials from lower-cost-of-production countries. Tariff for an essential domestic sheep industry is no more, if as much of a protection for raw materials, as immigration laws are protection for American labor. I do not believe American labor in any field would desire the elimination of embargoes and quotas on foreign labor. We do not advocate this, but it would lower the costs of produc-

tion of domestic wool. Labor constitutes approximately 35 percent of the total cost of production in the domestic sheep industry.

We accept H. R. 6556 as an improvement of the present act. The association which I represent is convinced that it is not only salutary but essential that the present bill before the committee be enacted, not as a remedy but as a safeguard.

We have expressed our confidence in the Tariff Commission and their ability to assume responsibilities delegated to them under this bill. In recognizing the abnormal conditions prevailing in the world today, we believe Congress should have the opportunity granted in this bill to reject any trade treaty negotiated which exceeds the limits of the Tariff Commission.

Finally, we think it is essential that the entire tariff program be brought up for review within the next year. In our opinion, it would be disastrous to permit an extension of the Reciprocal Trade Agreements Act without change for a period of 3 years.

Senator BUTLER. You are filing with the reporter the statistics that I requested?

Mr. JONES. I am, sir.

(The statistics are as follows:)

*Stock sheep on farms and the production of domestic wool in the United States*

Year	Number of head of stock sheep on farms, as of Jan. 1, per 1,000 head	Production of domestic shorn wool in grease pounds, per 1,000 pounds
1940.....	46,266	372,014
1941.....	47,441	387,520
1942.....	49,346	388,297
1943.....	48,196	378,843
1944.....	44,270	338,318
1945.....	39,609	307,949
1946.....	35,599	280,487
1947.....	32,125	252,798
1948.....	<sup>1</sup> 30,544	<sup>2</sup> 244,352

<sup>1</sup> The reduction of stock sheep numbers since the high of 1942 is 38 percent as of Jan. 1, 1948.

<sup>2</sup> Our estimate, domestic shorn wool production in 1948.

Source: U. S. Department of Agriculture, Mar. 18, 1948.

Senator BUTLER. Senator George, do you have any questions?

Senator GEORGE. No questions.

Senator HAWKES. Nothing further.

Senator BUTLER. Thank you, Mr. Jones.

Mr. JONES. Thank you and the committee.

Senator BUTLER. Mr. Lerch?

**STATEMENT OF JOHN G. LERCH, LAMB & LERCH,  
NEW YORK, N. Y.**

Mr. LERCH. My name is John G. Lerch, Lamb and Lerch, attorneys, 25 Broadway, New York City.

I have no prepared statement, Mr. Chairman.

Senator BUTLER. You may proceed.

Mr. LERCH. I represent the synthetic organic chemical industry, the woolen wire cloth industry, collapsible-tube industry, stearic-acid industry, the toy industry, and a few others.

My friends, Mr. Besse and Mr. Rose, have covered a great many of the points that I would have touched, and I see no reason for repeating those arguments. They would be the same as presented by either of them.

But I would like to talk for a minute, and I have been here before at hearings on the Trade Agreements Act prior to each renewal, calling attention to the unconstitutionality of this whole program.

I have submitted briefs which are in the record, but I would like to repeat those arguments against the constitutionality.

Now, by virtual ratification of the policy, and having embarked further on the policy in the form of an international trade organization, as proposed, it becomes again important to consider its unconstitutionality.

I will not repeat all those remarks. The record is full of them and the record also contains a very learned opinion in the early stages of this policy by the Honorable James M. Beck, which is in the Congressional Record.

On this question of unconstitutionality, the ITO in the form of what we like to call the little ITO was written into the Geneva agreement. That is volume 1 of the published Geneva agreement.

It attempts, in our opinion, to write into the trade agreements without ratification by Congress, the fundamental principles of ITO. Those principles go far beyond even the broad action taken under the Trade Agreements Act. In other words, they commit us to certain international obligations with respect to our own economy and the regulation of our tariff rates and every other regulation of international commerce.

To put it another way, we agreed to submit that to UN, instead of our Congress through which the forefathers under the Constitution saw fit to impose it in the Congress.

I very much doubt whether the Trade Agreements Act gives to the State Department or the President through the Geneva Act, the right to legislate, and that they have undoubtedly done.

We hear repeatedly at each one of these conferences, or hearings, and I heard it again today, a discussion of the most-favored-nation treatment.

That is very definitely a misnomer. There is no such thing as a most-favored-nation treatment in connection with the trade-agreement policy.

The act itself states that when an agreement is entered into and a rate reduced, that rate shall be generalized to all countries of the world unless the President finds a discrimination and so proclaims, so that automatically all rates are generalized to all countries of the world. The only exceptions are one or two—Italy, for a while, and Germany. Those are the only two proclamations that I recall.

So that once an agreement is entered into and perfected, for all time all nations get all the benefits, there is no room for the operation of what we commonly hear.

Senator HAWKES. May I ask what you mean "for all time"; because I understood these trade agreements were made for 3 years, and then they continue on from year to year unless they are canceled by notice as provided.

Mr. LERCH. That is my use of the phrase "for all time."

Senator HAWKES. I just wanted to be sure what you had in mind.

You do not feel there is not power in the Congress to stop these agreements if they take the necessary action?

Mr. LERCH. I think on a joint resolution of Congress calling upon the President to issue the prescribed notice of 6 months, they could be terminated.

Senator HAWKES. That is what I wanted to know.

Mr. LERCH. But short of that, they would go on, as I said, forever.

Just the same as the Tariff Act of 1930 enacted by Congress will go on until changed, and that is the way I spoke of the trade agreements.

Senator HAWKES. May I ask you one other thing. I have seen the Congress do so many things, and I have seen so many fine Senators and Congressmen vote to do so many things, not because they thought it was a good thing but because some Government agency had involved the Nation to a point where they said, "Congress you cannot analyze that thing on its merits. You have got to go ahead because we are involved."

Now, I want to ask you whether you feel we are involved in this ITO through what was done at Geneva, or what has been done at Habana, to such an extent we are going to have this story told us on the floor of the Congress when it comes around?

Mr. LERCH. I do not think there is any doubt about it, Senator Hawkes, and I would like to ask the question whether we are ever going to get back the jurisdiction which the Congress has delegated to the Executive by reason of ITO.

In other words, we have pledged ourselves by ITO, if adopted, to such an international arrangement that I doubt whether they ever get back that jurisdiction of Congress which the Constitution conferred on them to the very argument which you mentioned, Senator.

Senator HAWKES. You appreciate that the chairman of this committee, and in the committee, when we had the State Department officials before us, it was clearly pointed out to them that in our opinion these agreements they were making down there required the confirmation by the Congress.

Mr. LERCH. Yes, sir.

I also recall that Mr. Clayton, in his testimony at those hearings, said that he would submit to Congress any ITO which was proposed for adoption for its ratification.

The question that arises in some of our minds is: that Habana conference broke up long before the bill we are now considering was taken up. Why was not the ITO charter as adopted at Habana brought here and laid alongside of this bill?

It has a very definite effect on the trade-agreement policy.

In other words, if ITO is adopted much that you are doing here now will be rescinded.

Senator BUTLER. That is one of the principal arguments which has been advanced, Mr. Lerch, as to why we should extend this act for 1 year instead of 3 at this time.

Mr. LERCH. But my point is that inasmuch as they are so intertwined, why was it not brought here now so that it could be discussed along with the policy of continuing or extending the trade-agreement policy. One offsets the other. If you adopt the ITO, as I said before, you nullify much of the policy which you are now extending.

Senator BUTLER. We are not in a position to require the executive department to do that until they get ready.

Mr. LERCH. I understand that, but, since all this is political, it would have been a fairer political position if we had both to consider.

Senator GEORGE. Mr. Clayton could not submit that.

Mr. LERCH. I know.

Senator GEORGE. The President is the only one in position in our Government to submit that charter for ratification.

Mr. LERCH. I appreciate that, Senator George. I was not criticizing the committee or the Congress. I just asked the question of why, inasmuch as they were so intertwined, he did not submit the ITO at the same time he submitted the request to extend this bill.

Senator BUTLER. You could not expect us to answer that though.

Mr. LERCH. I do not think a clairvoyant could answer that.

Senator HAWKES. I would like to ask Senator George, because he has great knowledge on this subject, and he has been here through all these hearings: I do not understand from what you just said that this ITO can become a thing accomplished without being submitted to the Congress, do I?

Senator GEORGE. Not the Habana agreement. That is a charter. That is a treaty, and it has to come to the Senate for ratification.

Senator HAWKES. What did you mean when you said it was up to the President?

Senator GEORGE. It is up to him to submit it.

Senator HAWKES. If he does not submit it, the Nation should not be bound by it.

Senator GEORGE. No; we could not be bound by it unless we ratified it. But, of course, it is the contention of some that what is called the little ITO, the multiple trade agreement made at Geneva, really incorporates some of the same basic principles carried in the Habana charter.

Mr. LERCH. That was my point, Senator.

The little ITO has virtually, I call it, legislated into our policy the fundamental principles of the Habana charter of ITO. And to that extent, without ratification by Congress, we are pledged to its terms.

Senator HAWKES. And they have done that under the authority of the Reciprocal Trade Agreements Act?

Mr. LERCH. Exactly, and that is the point I made at first. They have gone further than what I said was unconstitutional delegation of power by legislating little ITO into the Geneva agreement.

I think that is all.

Senator BUTLER. Thank you very much.

Mr. LERCH. Thank you.

Senator BUTLER. Dr. Jacobs? Identify yourself for the record, Doctor, and then proceed with your statement.

**STATEMENT OF WILLIAM P. JACOBS, PRESIDENT, AMERICAN COTTON MANUFACTURERS ASSOCIATION**

Mr. JACOBS. My name is William P. Jacobs. I am appearing as president of the American Cotton Manufacturers Association, which includes among its members approximately 86 percent of the cotton mills of the United States. Most of these mills are located in the South.

We are appearing to support the objectives of H. R. 6556.

While we cannot deny the idealistic principles underlying the purposes of reciprocal trade agreements and the International Trade Organization as they tend to encourage an elimination or reduction of trade barriers, it is our belief that conditions in other countries under postwar rehabilitation are such as to make a continued increase in reduction in tariff barriers extremely hazardous.

Under present chaotic world conditions it would, of course, be unthinkable for the United States to assume a position of selfish isolationism. We can neither relish nor afford steps in the United States which would have the effect of preventing the restoration of industry and agriculture in foreign countries, for such a short-sighted policy would sooner or later backfire on our own economy and upon our own strong democratic ideals.

However, for the sake of the solvency of the world, we must retain the solvency of our domestic industry, and we should take no steps toward the elimination or lowering of trade barriers which will force a more rapid readjustment upon any of our domestic industries than they can afford.

Take American textiles, for instance. The records of the United States Tariff Commission show that in 1891 the tariff rate on countable cotton cloths imported into the United States on an equivalent ad valorem rate basis was 46.35 percent.

By 1934, when the new Reciprocal Trade Agreements Act was passed by Congress, the percentage had decreased to 37.41 percent. Thus in 43 years the percentage had decreased approximately 19 percent.

However, under the Reciprocal Trade Agreements Act the percentage ad valorem rate had decreased in 1946 to 17.85 percent, which means that, under this new one-world philosophy and under the administration of the United States Department of State, the decrease in the relatively short space of 12 years had precipitated to approximately 52 percent as compared with a percentage rate of decrease in the previous 43 years of only 19 percent.

Mr. Chairman, I have a detailed copy of this document by the United States Tariff Commission, which I would like to file in the record.

Senator BUTLER. That will be included.

(The information referred to follows:)

Countable cotton cloths:<sup>1</sup> United States imports for consumption, under specified tariff acts, 1891-1946

Year <sup>1</sup>	Quantity		Value	Duty	Unit value		Equivalent ad valorem rate	Equivalent specific rates	
	Square yards	Pounds			Per square yard	Per pound		Percent	Per square yard
1891 (Oct. 6, 1890, to June 30, 1891).....	27,307,568	.....	\$3,538,780	\$1,686,532	\$0.133	.....	46.35	\$0.062	.....
1892.....	34,230,870	.....	4,508,915	2,110,363	.132	.....	46.80	.062	.....
1893.....	45,669,241	.....	5,705,068	2,728,851	.125	.....	47.83	.060	.....
1894.....	27,581,490	.....	3,465,333	1,656,671	.125	.....	47.81	.060	.....
1895 (July 1 to Aug. 27, 1894).....	3,210,962	.....	380,875	183,372	.119	.....	48.15	.057	.....
Total (1,422 days, act of 1890).....	138,000,131	.....	17,698,971	8,365,789	.128	.....	47.26	.061	.....
Annual average (act of 1890).....	35,421,975	.....	4,542,985	2,147,337	.128	.....	47.26	.061	.....
1895 (Aug. 28, 1894, to June 30, 1895).....	43,511,334	.....	5,133,812	2,129,042	.118	.....	41.47	.049	.....
1896.....	42,068,865	.....	4,998,739	2,080,325	.119	.....	41.62	.049	.....
1897.....	40,178,832	.....	4,846,319	1,980,786	.121	.....	40.87	.049	.....
1898 (July 1 to July 24, 1897).....	2,701,536	.....	324,627	137,447	.120	.....	42.34	.051	.....
Total (1,062 days, act of 1894).....	128,460,567	.....	15,303,496	6,327,600	.119	.....	41.35	.049	.....
Annual average (act of 1894).....	44,150,760	.....	5,259,676	2,174,740	.119	.....	41.35	.049	.....
1898 (July 25, 1897, to June 30, 1898).....	40,738,827	.....	4,980,224	2,182,731	.122	.....	43.83	.054	.....
1899.....	54,294,327	.....	6,911,306	3,047,841	.127	.....	44.10	.056	.....
1900.....	60,625,422	.....	7,994,064	3,498,272	.132	.....	43.76	.058	.....
1901.....	43,615,055	.....	6,422,959	2,636,958	.147	.....	41.06	.060	.....
1902.....	48,260,978	.....	7,238,355	2,918,607	.150	.....	40.32	.060	.....
1903.....	58,621,129	.....	9,146,023	3,528,084	.156	.....	38.58	.060	.....
1904.....	50,254,073	.....	8,043,146	3,053,635	.160	.....	37.97	.061	.....
1905.....	50,339,051	.....	8,217,735	3,167,543	.163	.....	38.55	.063	.....
1906.....	74,868,012	.....	11,322,411	4,372,728	.151	.....	38.62	.058	.....
1907.....	83,640,236	.....	13,059,050	4,984,497	.156	.....	38.17	.060	.....
1908.....	79,212,048	.....	12,320,893	4,624,299	.156	.....	37.53	.058	.....
1909.....	68,914,101	.....	10,499,288	3,928,586	.152	.....	37.42	.057	.....
1910 (July 1 to Aug. 5, 1909).....	5,973,305	.....	920,632	346,136	.154	.....	37.60	.058	.....
Total (4,394 days, act of 1897).....	719,356,564	.....	107,076,086	42,289,917	.149	.....	39.50	.059	.....
Annual average (act of 1897).....	59,755,381	.....	8,894,577	3,512,931	1.149	.....	39.50	.059	.....
1910 (Aug. 6, 1909, to June 30, 1910).....	59,377,196	.....	8,761,214	3,731,898	.148	.....	42.60	.063	.....
1911.....	55,516,744	.....	8,832,673	2,797,449	.159	.....	42.99	.068	.....
1912.....	46,041,533	.....	7,638,631	3,265,187	.166	.....	42.75	.071	.....



1913	43,648,762		7,717,873	3,161,723	.177		40.97	.072	
1914 (July 1 to Oct. 3, 1913)	6,567,056		1,204,780	492,143	.183		40.85	.075	
Total (1,520 days, act of 1909)	211,151,291		34,155,171	14,448,400	.162		42.30	.068	
Annual average (act of 1909)	50,704,093		8,201,735	3,469,517	.162		42.30	.068	
1914 (Oct. 4, 1913, to June 30, 1914)	52,054,440		10,319,049	1,896,118	.198		18.37	.036	
1915	45,705,579		7,208,472	1,474,895	.158		20.46	.032	
1916	53,800,547		9,002,572	1,798,181	.167		19.97	.033	
1917	73,752,185		15,093,203	2,916,116	.205		19.32	.040	
1918	44,522,663		12,693,999	2,276,919	.285		17.94	.051	
1918 (July 1 to Dec. 31, 1918)	14,138,149		5,222,078	1,000,722	.309		19.16	.071	
1919	47,846,024		17,047,514	3,675,772	.356		21.56	.077	
1920	124,446,600		44,913,694	9,857,887	.361		21.95	.079	
1921	122,340,259		33,723,908	7,974,812	.300		23.65	.071	
1922 (Jan. 1 to Sept. 21, 1922)	118,859,802		33,157,705	7,734,760	.279		23.33	.065	
Total (3,275 days, act of 1913)	687,466,248		188,382,194	40,606,182	.274		21.56	.059	
Annual average (act of 1913)	76,618,376		20,995,267	4,525,574	.274		21.56	.059	
1922 (Sept. 22 to Dec. 31)	29,483,238	4,913,873	7,705,930	2,203,890	.261	\$1.568	28.60	.075	\$0.449
1923	206,146,780	35,028,240	44,804,119	13,180,591	.217	1.279	29.42	.064	.376
1924	183,711,446	35,899,993	38,839,515	10,605,911	.211	1.082	27.30	.058	.295
1925	109,580,704	22,318,163	26,502,206	7,086,199	.242	1.187	26.74	.065	.318
1926	61,005,063	12,484,125	16,266,646	4,796,509	.267	1.303	29.49	.079	.384
1927	63,562,980	11,825,764	15,792,290	4,936,627	.248	1.335	31.26	.078	.417
1928	58,918,084	10,736,216	15,363,796	4,720,851	.261	1.431	30.73	.080	.440
1929	55,763,923	10,859,133	14,942,435	4,572,922	.268	1.376	30.60	.085	.421
1930 (Jan. 1 to June 17)	31,648,025	5,612,833	7,720,613	2,382,044	.244	1.376	30.85	.075	.424
Total (2,826 days, act of 1922)	799,820,243	149,678,340	187,937,550	54,484,752	.235	1.256	28.99	.068	.364
Annual average (act of 1922)	103,303,039	19,332,128	24,273,604	7,037,132	.235	1.256	28.99	.068	.364
1930 (June 18 to Dec. 31)	10,223,918	2,479,293	2,804,362	891,494	.274	1.131	31.79	.087	.360
1931	33,541,655	7,133,550	6,977,577	2,431,125	.208	.978	34.74	.072	.341
1932	27,675,124	5,538,603	4,084,809	1,519,189	.148	.738	37.19	.055	.274
1933	38,853,177	6,620,198	5,735,581	2,199,165	.148	.866	38.34	.057	.332
1934	40,493,622	6,668,752	6,433,559	2,406,495	.159	.965	37.41	.059	.361
1935	62,107,676	11,247,734	6,661,959	2,216,945	.107	.592	32.28	.036	.197
1936	111,941,610	20,870,985	10,055,957	3,248,168	.090	.482	33.30	.029	.156
1937	143,889,852	28,339,035	13,026,726	4,251,084	.091	.460	32.63	.030	.150
1938	55,723,259	11,005,269	6,059,259	2,016,541	.109	.551	33.28	.036	.183
1939	109,927,318	18,859,788	8,319,600	2,529,398	.076	.441	30.40	.023	.134
1940	83,879,372	14,099,870	6,007,114	1,824,137	.072	.426	30.37	.022	.129
1941	61,148,404	11,839,286	5,416,089	1,485,197	.089	.457	27.42	.024	.125
1942	17,641,654	4,741,850	4,316,403	1,073,466	.245	.910	24.87	.061	.226
1943	19,690,719	4,333,326	4,585,466	1,006,230	.233	1.058	21.94	.051	.232

Countable cotton cloths:<sup>1</sup> United States imports for consumption, under specified tariff acts, 1891-1946—Continued

Year <sup>2</sup>	Quantity		Value	Duty	Unit value		Equiv- alent ad valorem rate	Equivalent specific rates	
	Square yards	Pounds			Per square yard	Per pound		Per square yard	Per pound
1944.....	11, 215, 705	2, 288, 720	\$2, 723, 184	\$520, 963	\$0. 243	\$1. 190	19. 13	\$0. 046	\$0. 228
1945 <sup>3</sup> .....	79, 870, 450	18, 825, 445	22, \$39, 411	3, 217, 932	. 286	1. 213	14. 09	. 040	. 171
1946 <sup>3</sup> .....	43, 649, 605	9, 830, 108	15, 009, 342	2, 679, 846	. 344	1. 527	17. 85	061	. 273
Total (6,041 days, act of 1930).....	951, 473, 120	184, 721, 812	131, 056, 398	35, 517, 375	. 138	. 709	27. 10	. 037	. 192
Annual average (act of 1930).....	57, 488, 444	11, 160, 977	7, 918, 488	2, 145, 976	. 138	. 709	27. 10	. 037	. 192

<sup>1</sup> Countable cotton cloths, other than tire fabric, such as are dutiable under paragraph 904 of the Tariff Act of 1930. This table does not include cotton cloths containing silk or rayon (par. 905) or wool (par 906).

<sup>2</sup> Unless otherwise indicated, data for 1891-1918 are for fiscal years ending June 30 and data for 1919-46 are for calendar years.

<sup>3</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

Mr. JACOBS. Now, this reflects a dangerously rapid decrease in trade barriers. Since 1934 when the Trade Agreement Act became law most of the years since then have been war years when most of our industries, including textiles, were hard pressed to supply sufficient cloth for our allies as well as for our domestic consumption.

The question of the rate of the tariff, of course, had little or no effect, therefore, upon the exporting or importing of textiles. We were operating under emergency conditions which were entirely abnormal and tariffs had little effect upon the increase or decrease of foreign trade.

As we return to more normal conditions, however, it seems quite clear that the intent of our reciprocity in trade agreements supported by the proposed international trade organization and apparently sponsored by our own Department of State is to so adjust trade barriers as to encourage the rehabilitation of foreign textile industries by enabling them to make use of American capital in the manufacture of increasing quantities of textiles which they can sell in the United States over lowered tariff walls to obtain the dollars with which to buy other American products which they cannot themselves make.

Now it is granted that international trade agreements must be based upon the good of the whole and if ultimately the United States increases its exports of other heavier products we must not be too critical if the step happens to work against the interests of the American textile industry; and we are not.

We recognize the inescapable facts that:

1. We in the United States have most of the dollars.
2. That other nations need our type of manufactured and raw products which they do not themselves produce.
3. That textiles happen to be the one type of product in which the United States leads but which can be made by all people everywhere.
4. That unless foreign countries can sell us something they cannot find the dollars with which to buy from us.

Furthermore, we recognize the inescapable conclusion that in the future we cannot under new world conditions expect to permanently hold a position of world leadership in any product in which we are dependent upon the protection of high tariff barriers alone.

Hence we do not insist upon a law which will afford higher tariffs on the imports of textiles into the United States.

Furthermore we do not depend entirely on tariff walls to build and hold a position of world supremacy in textiles. This in spite of the fact that there is, due to foreign currency collapse and other effects of a world war, a greater disparity between the high American textile wage and the low textile wages in foreign countries than ever before.

Our position is rather one of sympathetic understanding of the problems of our international competitors, combined with a desire to be helpful and constructive.

We do not know whether a continued lowering of barriers against world trade is necessary or inevitable as some of our leaders seem to think it is. However, if that be true we do maintain that the process of lowering should be subject to such limitations in speed and in amounts as will give our domestic industries which are to be most affected the time to adjust themselves to the new circumstances and thus minimize the injury.

Senator HAWKES. I want to interrupt you right there to say that is one of the best and most intelligent statements that I have heard anywhere.

Mr. JACOBS. Thank you, Senator.

Senator HAWKES. In other words, if you try to preserve this country, you are called an isolationist or any kind of a name that indicates you are not willing to be cooperative. But I know, because I have been in the manufacturing business, that the difference between a top pressure load, a complete operation, in meeting a situation created by a lower tariff is one thing, and when that top goes off and you go down to 80 or 85 percent, you have got an entirely different picture, and you can turn from a profit situation into a red situation.

All I have ever said is just what you stated right there: that we want to do the right thing but let us not make haste too rapidly.

Mr. JACOBS. I think that is very sound.

Senator HAWKES. In other words, let us make haste slowly and know that we are right because we cannot ruin this great economy and industry of this country and then get it back by waving a magic wand. And people do not understand that. People by the thousands have been urged to write letters to their Congressmen and Senators.

I have talked to them all over the country: "We want the reciprocal trade agreements without any amendments."

I have gone and asked what they knew about the Reciprocal Trade Agreements Act. You would be dumfounded to get the answer. They do not know anything about it.

Some one person has asked three or four hundred people to write letters, and the lack of knowledge on what this thing can do to the economy of the United States is a sad thing, and that is what you are talking about, and I want to compliment you on the statement in that particular paragraph.

Mr. JACOBS. Thank you very much. I feel very highly complimented that you agree with that thought.

This is particularly advisable in the case of American textiles.

As stated, we shall not depend upon tariff walls alone. We must and shall produce a better fabric at a lower unit cost to meet the severe competition of the world market in which low foreign wages play an active part. In short we must and will, with the cooperation of farsighted American workers and automatic machinery through mass-production methods, produce yarn and cloth at lower unit costs and with higher individual productive capacity and larger individual earnings, so that our yarn and cloth may be sold at lower prices that more may afford to consume them and more may be developed in their manufacture.

The development of this process under this modern conception of the American way has been under operation for years. That is why we will lead tomorrow even if tariff barriers are lowered.

However, the development of such a process takes time and money and much new equipment which we do not now have.

It will come in time. Meanwhile we must not forget that American textiles are particularly vulnerable today against world competition. We have not yet successfully completed the change. We still use more manual labor in the manufacture of a unit of cloth in proportion than is true of any other major industry in America.

Compare the manufacture of a unit of cotton cloth with its nearest cousin, a unit of paper. I believe it takes about five sets of human hands to guide a log into the hopper, grind it into pulp, test the chemical content, and operate the hoist to lift a roll of craft paper from the paper machine. In the case of cotton cloth it takes from 16 to 25 pairs of human hands. As long as there is that high percentage of manual labor involved in the production of a unit of cotton cloth, our industry is necessarily and unusually vulnerable to low-wage world competition and particularly so if tariff walls are lowered more rapidly than the speed of adoption of new processes by the industry.

Hence our position on reciprocal trade agreements is that the values of the entire system should be reappraised in the light of the long-pull world readjustments under conditions more nearly approximating normal than in the case of war years.

There is clearly not time left to this Congress before adjournment to carefully analyze the full effect of tariff changes under modern conditions.

We believe therefore that it is smart and sound to continue the present system for a year, and only 1 year, to give Congress time to fully inform itself on such an intricate subject which means so much to hundreds of thousands of American workers and to millions of Americans who directly or indirectly depend upon the American textile industry for a livelihood.

We have within recent months noted a decided tendency of some foreign countries to undertake to make their own domestic textile industries self-sufficient by raising tariff walls or setting embargoes against the importation of foreign textiles; this while our Government is endeavoring directly or indirectly to aid them.

We should carefully watch this tendency for a year and be prepared to adjust our own tariff policies more practically in the light of the extreme nationalistic spirit of some of our fellow nations before we go into a one-world philosophy of reduction of trade barriers.

Furthermore it is our firm conviction that this entire matter will be more soundly adjusted at the hands of Congress and our Tariff Commission than when left to the world beneficence of the United States Department of State which seems at times to be more concerned with the plight of our foreign competitors than with the welfare of the American workers.

And so, Mr. Chairman, we recommend the adoption of H. R. 6556, not because we believe in reciprocal trade agreements, or in the Charter of the International Trade Organization, but because we believe that Congress should give a much more intensive study to this intricate subject before conclusions are reached.

Senator BUTLER. Dr. Jacobs, it is a very splendid statement from one representing and well able to speak for the manufacturers and the processors, but I wonder if you could not add a paragraph now in behalf of the cotton producer.

He is in the picture. What will be the effect of the adoption of this law or its rejection on the producer?

Mr. JACOBS. Mr. Chairman, I have, of course, no authority to speak for the cotton farmer.

Senator BUTLER. Just give your opinion.

Mr. JACOBS. It is my opinion that the cotton producer, the cotton manufacturer, and the cotton mill worker are all three out on identically the same limb, and that ultimately through mechanization and through the assistance of science it is going to be necessary for us to meet a severe world competition by very much the same general methods.

I think that all three, for the time being, need the protection of a protective tariff, and I am sure that the leaders in the cotton-farming field have expressed themselves to that purpose many times, and they are working very vigorously now to try to reduce through farm mechanization the cost of production of raw cotton.

Senator BUTLER. Senator George? Any questions?

Senator GEORGE. No questions.

Senator BUTLER. Senator Hawkes?

Senator HAWKES. I simply want to compliment Dr. Jacobs again for one of the best statements I have seen since I have been in the Senate.

Mr. JACOBS. Thank you very much.

Senator BUTLER. A number of letters, statements, and telegrams were submitted for the record. They will be inserted at this point. (The letters, statements, and telegrams referred to follow:)

STATEMENT OF THE AMERICAN VETERANS COMMITTEE (AVC) ON RENEWAL OF THE RECIPROCAL TRADE AGREEMENTS ACT

The American Veterans Committee (AVC), as an organization of World War II veterans who are dedicated to achieving a more democratic and prosperous United States and a stable world, is greatly disturbed that inadequate public hearings are being held on the extension of the present Trade Agreements Act.

The interest of AVC in the reciprocal trade agreements program was clearly stated at our last national convention held in Milwaukee, Wis., in June 1947. The assembled delegates adopted the following statements of policy on this issue:

"We believe that in our country's interest all nations must be enabled to contribute to and share in an expanding world economy. The United States together with other economically advanced nations must strive to create favorable conditions for constantly and rapidly expanding industrial production and the diversification of agriculture throughout the world. Agreements among nations in restraint of trade, other than those recommended by competent international agencies and those imposed for security reasons upon the vanquished of the war, must be abrogated.

"Only under conditions of expanding world trade can borrowing countries meet their debts. We believe that a nondiscriminatory trade pattern is most conducive to such expansion. We realize, however, that a number of countries must maintain some restrictive practices during the transitional period of reconstruction. We favor the establishment of an international trade organization that will further the positions taken in this platform.

"We urge the continuance by our Government of the reciprocal trade agreements program and the lowering of tariff walls and the abolition of other similar import restrictions."

It has been repeatedly pointed out that the reciprocal trade agreements embody the basic principles of American commercial policy as expressed in the Bretton Woods agreements, the Anglo-American loan agreement, the general agreement on tariffs and trade, the charter for an international trade organization, and, perhaps most important, the European recovery program.

In 1934 the Congress first approved the Reciprocal Trade Agreements Act which had specific express aims including securing markets for American exports and thus increasing domestic employment; checking the trend toward constantly increasing tariff walls, and reconstructing a multilateral commercial system based on unconditional equality of treatment.

The success of the reciprocal-trade program would lead one to believe that the Congress would act quickly to extend the act for at least 3 years. Although

the American tariff program was long a partisan issue, the statesmanship displayed by Republicans and Democrats alike in action on ERP led to the hope that the same statesmanship would be displayed on this vital issue. The fact that three Republican Presidential candidates, Mr. Laundon in 1936, Mr. Wilkie in 1940, and Mr. Dewey in 1944, supported reciprocal-trade agreements would also indicate that the program had proven itself and was no longer an occasion for narrow partisan considerations.

In the passage of the European recovery program the Congress demonstrated an understanding of the vital necessity of world economic cooperation. It should be evident that the entire purpose of ERP can be largely negated by failure to extend the trade-agreements program. We are spending vast sums to help Europe in an over-all program of reconstruction. The aim of the program is to place Europe once again in a position to support itself. Europe, as well as other parts of the world, must export goods if it is to pay for the goods that it imports. If the United States this year fails to extend the trade-agreements program, Europe will be denied the incentive which would be provided by the hope of once more being able to export goods.

We are living in a critical period in which it is being increasingly realized that international anarchy must be replaced by international understanding and cooperation. We can dramatically demonstrate once again to the world the interest of the American people in world cooperation by extending the Trade Agreements Act for a period of 3 years.

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STATEMENT ON EXTENSION OF RECIPROCAL TRADE AGREEMENTS, BY PROF. SEYMOUR E. HARRIS, HARVARD UNIVERSITY, ON BEHALF OF AMERICANS FOR DEMOCRATIC ACTION

1. INTRODUCTORY

Americans for Democratic Action is a national organization dedicated to the achievement of economic security within a framework of political freedom. We have some 26,000 members in 106 chapters in 40 States. I am a member of the Cambridge, Mass., chapter. ADA is committed to the position that we must strive for peace with the same conscious use of our economic power as we once staged war. The continuation of our reciprocal-trade agreements is a vital part of this peace program.

Even more than in 1945, this country needs the "protection" of the reciprocal-trade program. Over the last 33 years, this country has poured out \$80,000,000,000 of goods and services which have been financed by credits and grants; and about \$20,000,000,000 for which we have received gold. These \$100,000,000,000 are for the most part gifts to the world and particularly Europe; and we can expect to receive little in return for \$100,000,000,000 of goods and services thus financed.

2. THE NEED FOR IMPORTS

This country will continue to work hard and "give" away goods to foreign countries as we propose to do under the European Recovery Program until we elect to accept goods in exchange.

Obviously this is far from the whole explanation of our excess of exports over the years since 1913. War and European and world distress are the major explanation. But our unwillingness to import made the repayment of past loans more difficult and contributed to defaults in the early thirties. Even in 1947 our imports were but 2.4 percent of our gross national product as compared with 2.9 percent in 1934-38. The more we import, the less we need give away. Yet, in 1947, our imports, relative to income, were only about one-half of what they might have been expected to be even on the low standards of the thirties. (Allowance is made here for the much larger percentage of imports to income expected with incomes at \$230,000,000,000 (1947) in contrast with incomes of \$85,000,000,000 (1936-38).

Our low level of imports is indeed associated with curtailed production and unavailabilities of exports abroad; but if our imports are to rise in the next few years, the stimulus of low and even reduced tariffs will be required.

In 1947 our excess of exports was no less than \$10,000,000,000. The Marshall plan will make it possible for this country to continue to export at close to the 1947 rate in 1948—the exports should be \$15,000,000,000 and the excess of exports \$9,000,000,000. But ultimately this country should become an importing na-

tion on balance, unless we continue to lend year after year and require no or little interest and do not ask for repayment. If we stop lending after 1951 and require repayment of part of our loans as well as market rates of interest, then the excess of exports will soon be converted into an excess of imports. The world will require 1.5 billion dollars of net exports to this country annually to finance current debts, and perhaps \$1,000,000,000 additional to service later loans. We may then import more than we export by 2 to 3 billion dollars, in contrast with our current excess of exports of \$9,000,000,000. To do this we shall need the support of the reciprocal trade agreements.

### 3. THE RECIPROCAL TRADE AGREEMENTS (RTA)

It is not easy to estimate the effects of the reduction of tariffs under the RTA from those of other variables. Clearly the rise of trade from 1934 to 1939, for example, is associated in no small part with the growth of income in that period. Yet substantial reduction of tariffs under the RTA surely played a part. More goods are purchased both in response to more income, and to lower prices; and tariff reductions contribute to relative declines in prices.

On this score, the rise of trade of this country from 1934 and 1935 to 1938 and 1939 was much larger with countries with which we made agreements under the RTA than with other countries. Our exports to and imports from trade-agreement countries rose by 63 and 27 percent, whereas our exports and imports from nontrade-agreement countries rose only by 27 and 12½ percent, respectively. Clearly, trade agreements were reflected in the relative rise of trade with countries that agreed to reductions under the RTA.

By 1945, the reductions attainable under the RTA had largely been achieved. Under the 1945 legislation, additional reductions of 50 percent were allowed. Under the provisions of this extension, the United States participated in the general agreement on tariffs and trade signed at Geneva on October 30, 1947. Twenty-three countries, accounting for approximately 75 percent of the world's trade, participated in the negotiations at Geneva which included general tariff concessions and general provisions dealing, among other things, with barriers to trade other than tariffs. These tariff concessions related to two-thirds of the import trade of negotiating countries, and about half of the world's trade. This agreement is to be applied multilaterally; that is to say, any concession made by one country to another will be generally applied. This agreement is the first major step to be taken by important nations to reverse the trend toward trade restrictions and economic isolation which has persisted throughout the world since the First World War.

What is required now is an extension of the RTA without crippling amendments—e. g., each agreement should require the approval of Congress. What is proposed is a broad line of policy by Congress and discretion in the Executive for working out the details. Unless this is done, the special interests, always alerted to the effects, real or imaginary, upon their economic position, will effectively sabotage the reciprocal trade program.

### 4. THE CASE FOR REDUCED TARIFFS

Once more the old arguments for tariffs are being dusted off to be exhibited before the Ways and Means Committee. In particular, the argument of unfair competition with cheap foreign labor and the defense argument play a large role; but they are not equal to the task of refuting the simple logic of freer trade—not, of course, free trade which is only a distant goal never to be reached.

#### (a) *Why foreign trade?*

Exchange of goods over national frontiers makes it possible to get goods that otherwise would not be obtainable—tin, coffee, crude rubber, silk, British woolens, French wines, Swiss watches, etc.—and makes it possible to get goods more cheaply than otherwise would be possible. We can produce crude rubber; and as Adam Smith said the Scotch can produce grapes. The difficulty is that the costs are too high. It is much cheaper to exchange our automobiles for foreign rubber than it would be for us to produce both automobiles and crude rubber. In short, if we are to export, we must import.

#### (b) *The cost of economic isolationism*

We can, if we wish, indulge in economic isolationism. The costs, both in a reduced standard of living, and in the increased likelihood of war, are large indeed. Before the war, Russia's foreign trade was less than 1 percent of her



income. She was prepared to pay the price of economic and political isolation, not the least of which was a standard of living much lower than she might have had, if she were ready to trade as other countries were. She traded a higher income potential for secrecy, isolation, etc., that went with less trade.

The British, on the other hand, exported goods to the value of about 20 percent of her national income; without these exports, she could not survive as a significant power—for their importance lay not only in that exports provided \$1 of every \$5 of income, but also in that they enabled her to pay for the imports of food and raw materials without which her 50,000,000 people could not keep employed, or, if employed, they would earn wages much below what is required for a modern standard of living. The cost of economic isolation for Great Britain would be a rapid drop in standards of living and in population; and ultimately she would become a third-rate power—a twentieth century Sweden.

Our country, with 5 to 10 percent of our national income accounted for by exports, lies in between the U. S. S. R. and Great Britain. We can survive economic isolationism, but at a much lower standard of living; but we are not likely to survive a third world war, toward which we would make an important contribution through supporting economic isolationism. The next war will cost much more than \$350,000,000,000, and millions of distorted lives, the cost to us of World War II. Our income potential will be destroyed for generations, if not centuries; and lives will be lost by the tens of millions, not by the hundreds of thousands.

Here is a country with 7 percent of the world's population and 40 percent of the world's income. Here is a country with a per capita income of \$1,400, which is around \$25 in China and India. Here is a country which, in the view of some, would shut itself off from trade with the rest of the world on the grounds that we cannot afford to buy goods abroad; that we have to take care of our own industries. The natural reaction of foreign countries will be just as it was when we imposed the 1930 tariff; we did not realize how much welfare is tied to that of the rest of the world.

We played our share in the world's economic debacle of the thirties—though we were far from exclusively responsible. Under the bilateral system of trading developed by Hitler, Schacht, and others, we did not do very well. World trade declined from \$65,000,000,000 in 1929 to only \$26,000,000,000 in 1932; and our trade declined more than that of any other large trading area. By 1934, our share of world exports was 26 percent less than in 1928. A democratic country, as all of us know who participated in the economic strategy and tactics of World War II, is not very good at horsetrading.

*(c) The current campaign to increase trade and employment*

Now we are embarked on a sensible trade policy. Our Trade Agreements Act of 1934 and the reciprocal trade agreements program of 1934-45 were the first steps which we took back to sanity in international economic relations. Various programs for international economic cooperation—the bank, the fund, FAO, the renewal of the reciprocal trade agreements (1946) and 1948—are the second step. Now we are moving toward the third and perhaps most important step, the proposed International Trade Organization. That is a realistic program which recognizes the need of some compromises with free trade, but yet marks out the steps toward multilateral trade and relative freedom to exchange goods. The proposed charter recognizes the need for cooperation; the special cases when protectionism may be justified; the relation of domestic policies and economic conditions abroad; the need for a gradual abandonment of exchange control; of bilateral trade agreements; the gradual removal of the invisible tariffs; the discouragement of restrictive business practices; the control of intergovernment commodity arrangements—in short, the need of freedom of enterprise and trade in the international field.

The proposed charter says: "In general, to promote national and international action for the expansion of the production, exchange, and consumption of goods, for the reduction of tariffs and other trade barriers, and for the elimination of all forms of discriminatory treatment in international commerce; thus contributing to an expanding world economy, to the establishment and maintenance in all countries of high levels of employment and real income, and to the creation of economic conditions conducive to the maintenance of world peace."

*(d) Are high wages in the United States a valid argument for trade restrictions?*

Old arguments for the tariff are largely dead. No intelligent citizen talks about the need of protecting American labor against low wages abroad. Since

wages are higher here than anywhere else in the world, it is no wonder this argument is nonsensical. We would have no trade at all if differences in wage rates were a criterion.

Indeed wages are higher in this country than in Switzerland—more than two times as high. On the average, they seem to be about five times as high here as in Latin America. A few years ago, one could obtain a 16-hour-a-day servant in Rio for \$10 a month. Does this mean that we should not import Swiss works, or Brazilian coffee, or Peruvian silverware? Of course not. We can pay wages 2 to 10 times as much as other countries and still sell goods abroad in competition with foreign producers. Our automobile companies, our machine tool producers, our apple growers, etc., seem to be able not only to meet foreign competition here but also abroad. In fact, we are able to export in the very industries where wages are a maximum. Our objective is to concentrate on industries in which high money wages are compensated for by high productivity. Where we have to pay \$10 a day and do not have the peculiar advantages of American ingenuity, high standards of administration, economics of large-scale production, etc., then we are wasting resources. We should allow other countries to produce these items, and we should concentrate on industries that can afford to pay high wages.

(c) *The defense argument*

As the wage theory in favor of protection has lost support, protectionists increasingly reach out for the defense argument, it is necessary to protect an industry in order to nurture the military strength of this country. The argument often has substance. We are now asked to develop a rubber industry, a merchant-marine industry, protect our chemical industry, etc., in order to make us immune from attack. If this argument is carried far enough, we shall embark on a complete program of economic isolationism. These "war" industries are frequently the very industries in which we are inefficient. The merchant marine is a notable example. Here we pay high American wages but have no special skills, no special economics, no unusual productivity. It is an industry in which the country will have to sink billions of dollars in order to keep it alive in competition with Norwegian, British, and Dutch ships, paying much lower wages. Clearly we cannot bypass the defense argument; but we should not allow the crude protectionists to obtain crutches by the appeal to the case for defense when protection is not required under a judicious examination of the security issue.

5. IN SUMMARY

We hold that the country's interests will best be served by renewing the RTA. We take that position because more trade and freer trade will help reduce the dangers of war and will contribute to higher standards of living; because we either must increase our imports or give away more of the products of our mines, factories, and labor; because we are now embarked on a program of improving economic and political relations the world over, and a failure to extend the RTA will be a sign of a lack of faith and will endanger other parts of this program; because the whole program is part of a bipartisan foreign policy.

Above all, we should not be too anxious concerning the trade concessions made by the rest of the world vis-à-vis our concessions. What is needed, once the current crisis ends, is a relative rise of our imports and a decline of our exports; and a relative gain of foreign exports and a relative reduction of foreign imports. Only in this way can the long-run problem of dollar shortage and excessive exports and credits and loans from the United States be solved. Insofar as our concessions are more generous, we merely facilitate the task imposed on other countries of paying their way.

AMERICANS FOR DEMOCRATIC ACTION,  
*Washington 6, D. C., June 3, 1948.*

HON. EUGENE D. MILLIKIN,  
*Chairman, Finance Committee,  
United States Senate, Washington 25, D. C.*

MY DEAR SENATOR: Americans for Democratic Action, at its convention in Philadelphia in February, endorsed the continuation of our reciprocal-trade policy as "plainly necessary" to the revival of multilateral world trade. Furthermore, in the view of this organization, the revival of world trade is a necessary condition for the success of the European recovery program.

Our country has taken the lead, among the nations of the world, in establishing sound and orderly economic relationships. We were the prime movers in the establishment of the International Bank and the International Monetary Fund. The climax of our policy was the enactment of the European recovery program for the underpinning and revival of stable economic conditions in Europe. An integral part of this whole movement in our international foreign policy is the progressive reduction of artificial trade barriers which we have carried forward through the instrumentality of the Reciprocal Trade Agreements Act. Building on the authority established by this act, we have, in spite of difficulties and the reluctance of other nations, succeeded in laying the foundation for the International Trade Organization. This organization carries the promise of revitalizing the currents of world trade and protecting them from the impediments of economic nationalism for decades to come. As a first earnest of our intentions in pressing for the establishment of this organization, we have joined with the leading trading nations of the world in a general agreement on trade and tariff under which, utilizing the authority granted by the Reciprocal Trade Agreements Act, we are prepared to reduce our tariffs in return for similar concessions by other countries.

Years of long and difficult negotiations are now beginning to bear fruit. The stable foundations for world trade toward which our Government has been working for 14 years are now within our grasp. To curtail or modify the authority of the Reciprocal Trade Agreements Act at this time would be an act of reckless folly with incalculable consequences for the future. The Gearhart bill (H. R. 6556), recently passed by the House under a closed rule, signalizes to the world that the United States is about to abandon the policy which it has so long adhered to, and to destroy the world trade structure it has done so much to create. The Gearhart bill renews the authority of the Reciprocal Trade Agreements Act only for 1 year, and so modifies and hampers the exercise of that authority as to make it ineffective even for this inadequate period of time. A year's extension is inadequate to organize and carry through negotiations which are now contemplated. To place sole responsibility on the Tariff Commission for determining what changes may be made in existing rates, as the bill does, shifts the emphasis in our negotiations from mutual concessions to considerations of nationalistic protection. It alters the whole atmosphere and spirit in which our negotiators must work. Subjecting differences between the Tariff Commission and the President to congressional veto is not only an unwarranted interference with the Executive, but also weakens the Executive in dealings with foreign countries.

It seems inconceivable that in this crucial period in history Congress should enact such a measure as the Gearhart bill. The Reciprocal Trade Agreements Act should be an element of our bipartisan foreign policy. We cannot permit the old factionalism of the tariff issue to infect the core of our economic foreign policy. If we do, it will eventually rend our entire foreign policy from top to bottom and destroy the united front which we now present to the world.

For these reasons, Americans for Democratic Action petition your committee to reject the Gearhart bill and to report out a simple extension for 3 years of the Reciprocal Trade Agreements Act. I am enclosing in this letter a statement by Prof. Seymour Harris of Harvard University, presented on behalf of Americans for Democratic Action to the House Ways and Means Committee. This statement represents the views of this organization on the value of reciprocal trade agreements. I request that this statement, together with this letter, be incorporated in the record of the committee's hearings.

Sincerely yours,

LEON HENDERSON, *National Chairman.*

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AMERICAN MINING CONGRESS,  
Washington 6, D. C., June 3, 1948.

HON. EUGENE D. MILLIKIN,  
*Chairman, Committee on Finance,  
Senate Office Building, Washington, D. C.*

DEAR SENATOR MILLIKIN: The American Mining Congress, representing the various branches of the mining industry of the United States, is deeply concerned in the legislation pending before your committee, to extend the so-called Reciprocal Trade Agreements Act.

As has been brought out in previous congressional hearings, foreign trade agreements concluded under this act have deprived important segments of the mining industry of needed protection from low-cost foreign competition. Reductions in mineral tariffs have not evidenced the careful appraisal of pertinent facts, nor reflected the scrupulous attention to the welfare of American industry and labor, which are claimed to be an integral part of the process of negotiating trade agreements. Insofar as mining is concerned, it is our judgment that the detrimental effects of these agreements—both in the past and looking to the future—have outweighed any possible benefits.

The effects have been harmful, and promise to be more so in the future, not only to certain of our domestic mineral industries as such, but to the national security of our country, which requires that our mineral resource industries be maintained in a healthy and vigorous condition to supply vital raw materials that will be critically needed in another emergency.

If your committee feels that, as a matter of general international policy and world psychology, the trade agreements act should again be extended at this time, we respectfully urge:

(1) That the extension be for not longer than 1 year, pending a full consideration by the next Congress of the basic issues involved.

(2) That safeguards be provided against arbitrary exercise of executive power to reduce tariff rates at the expense of domestic producers and workmen. The provisions of H. R. 6556, calling for the setting by the Tariff Commission of limits below which tariff reductions cannot be made without injury to domestic producers, and affording the Congress—which represents directly the people of the United States—an opportunity to reject any tariff adjustments which exceed those limits, represent the minimum safeguards which we believe should be adopted at this time.

Very sincerely yours,

THE AMERICAN MINING CONGRESS.  
JULIAN D. CONOVER, *Secretary*.

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STATEMENT OF BERNARD B. SMITH, COUNSEL, AMERICAN TRADE ASSOCIATION FOR BRITISH WOOLLENS, INC., ON THE RECIPROCAL TRADE AGREEMENTS ACT

As counsel to the American Trade Association for British Woollens, Inc., I have been authorized to submit the following statement in support of legislation extending the Reciprocal Trade Agreements Act, beyond its present date of expiration, and in opposition to amendments adopted by the House of Representatives, which would undermine its objectives and cripple its administration.

The American Trade Association for British Woollens, Inc., is an association of over 100 American business firms, comprising the leading importers of British woollens in the United States. The vast majority of our members sell or use American woollens, as well as British woollens. All of our members are engaged in business in the United States, employ American labor in their operations, pay taxes to our Treasury, and rely in part on British woollens in the profitable operations of their respective American business enterprises.

Our concern over the extension of the Reciprocal Trade Agreements Act is deeply rooted in our long experience as importers and has significance for us far beyond the immediate interests of our individual business enterprises. We are firmly convinced that a relatively free flow of goods in international trade channels is essential for the maintenance of American prosperity and international peace and security.

While historians, in years to come, may document divergent factors as the causes of World War II, there is mutual agreement over the simple fact that American high-tariff policies in the twenties contributed to the international disunity and dislocation which erupted into a world-wide conflagration. Restriction of international trade in this critical period of international instability and uncertainty can only lead the United States once again to the brink of war. Certainly, at a time when the United States is seeking to contain rampant and irrational nationalism, we cannot afford to embark upon an archaic and discredited tariff program, which can only lead to the creation by other nations of the world of effective barriers against the importation of American goods.

During both 1946 and 1947, exports from the United States to other nations of the world amounted to approximately \$15,000,000,000. This large volume of exports played an important role in the maintenance of a high level of domestic

production, employment, and purchasing power in the United States during those years. It is clear, however, that the United States cannot hope to maintain, over a period of years, a high volume of exports, and, simultaneously, maintain high tariff barriers to exclude the goods and services of other nations from our shores.

Since the enactment of the Reciprocal Trade Agreements Act of 1934, the United States has recognized, as a matter of affirmative and consistent domestic policy, that it has a dominant role to play in foreign trade and that it can no longer isolate itself from international economic affairs. The impact of the war and realization by the American people of its fundamental and underlying economic causes have forcefully brought home to vast numbers of them the tragic consequences of American failure to employ its dominant position in the sphere of world economics, for the purpose of maintaining peace and enhancing the security and prosperity of the peoples of all the world, including the citizens of the United States.

In line with the new policy of more active and aggressive participation by the United States in international economic affairs, the United States assumed leadership in the organization of the International Monetary Fund, designed to stabilize exchange rates and to correct temporary imbalances in trade, and in the International Bank for Reconstruction and Development, established to facilitate the international flow of capital.

Reducing tariffs, abolishing import quotas and other trade barriers, the long-range plan for European recovery and rehabilitation, are part and parcel of the new, vital policy launched by the United States, and will be accepted by other nations of the world as an encouraging sign that the United States recognizes the preeminent position it now holds in international affairs by reason of its military might, its productive capacity, its human and natural resources, and that the United States is prepared to assume the responsibilities which inhere in that position of dominance.

With the enactment of the "flexible tariff" law and the creation of the Federal Tariff Commission, Congress recognized that the very nature of international trade rendered it impossible for Congress to administer effectively the United States tariff policy. The desirability of delegating adequate authority to an executive agency to deal with the complexities of tariff law and administration was manifest. Certainly there is nothing in the administration of the Reciprocal Trade Agreements Act to cast any shadow of doubt over the original wisdom of Congress in authorizing executive action in tariff negotiations.

On the contrary, the executive department has been diligent in protecting American interests in international tariff negotiations. In addition, Executive Order 9832 provides an escape clause permitting the United States to withdraw individual concessions upon a finding that domestic producers are seriously threatened under granted concessions.

As importers of British woollens, we are, of course, most familiar with the significance of the Reciprocal Trade Agreements Act as it affects our industry. A serious shortage of labor in Britain, persistent production bottlenecks arising from the shortage of supplies and materials, make it unlikely that the production volume of British woollens will reach a point where woollens available for importation to the American market can seriously injure the American producer.

Moreover, obsolete equipment and the small number of mechanical looms in Britain result in unit production costs which are higher than those in the United States, even though American labor costs are in excess of British labor costs.

However, in order to protect the American producer, the agreements with respect to wool tariff duties provide for an increased tariff in the event that imports achieve a level equal to 5 percent of domestic production. Although reduced rates became effective on January 1, 1948, the volume of wool imports since that date do not even remotely approach the 5 percent limitation.

The extended trade negotiations in Geneva during the past year illustrate graphically the danger of congressional interference in tariff negotiations. The Geneva conference resulted in 106 agreements covering approximately 45,000 items. Clearly Congress cannot effectively retrace the difficult course of negotiations on so many items, where the final agreements represent the compromises implicit in extended "give-and-take" negotiations.

The United States emerged from the war largely unscathed and without serious impairment of its natural and human resources. We are firmly convinced that the United States cannot afford to isolate itself economically from

the rest of the world without jeopardizing the principles of democratic living and free enterprise for which we fought. Intelligent and wholehearted participation by the United States is essential if man is to remain free and the democratic impulse throughout the world preserved. The Reciprocal Trade Agreements Act is a necessary cornerstone in a firm foundation for international peace, prosperity, and security.

In view of the foregoing, we urge approval of the Reciprocal Trade Agreements Act without amendment.

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AMERICAN WATCH ASSEMBLERS' ASSOCIATION, INC.,  
New York 4, N. Y., June 3, 1948.

HON. EUGENE D. MULLIKIN,  
*Chairman, Committee on Finance,  
United States Senate, Washington, D. C.*

SIR: The American Watch Assemblers' Association, Inc., desires to express its unqualified approval of the reciprocal trade agreements program and has consistently urged the continuation of such program whenever the question of an extension for a further period has been under consideration by the Congress. It believes that this program should be extended for a further period of three years without the changes contained in H. R. 6556. This organization is representative of more than a \$400 million American industry, employing in the production and distribution of its products, including the production of watch cases, assembling and testing, and the manufacture of accessories, such as bracelets and straps, many thousand persons.

In reporting a proposed extension of the reciprocal trade agreements program in 1943, the Committee on Ways and Means of the House of Representatives stated that:

"The Trade Agreements Act represents a policy of positive international economic cooperation and has come to be so regarded in the eyes of the other nations."

In said report, that committee also stated:

"In the opinion of this committee, it is simply unthinkable that the Congress should reject this policy of international economic cooperation at the very time when the fate of this Nation and of all the civilized world hinges on the determination and ability of nations to cooperate effectively in peace as well as in war."

It appears to this association that to limit the term of extension of the act and restrict it by the amendments proposed in H. R. 6556 would be, in effect, an announcement to the nations of the world that the United States proposes to curtail its "policy of positive international cooperation."

To this association, it is unthinkable that we should abandon this reciprocal trade agreements program at the present time when the condition of the countries of the world is so deplorable, when the leaders of our country have given so much thought to the rehabilitation of such nations, and the taxpayers have contributed so much toward their restoration.

We have read and listened to a number of presentations by representatives of certain of our industries who opposed this program substantially in its entirety, and we have not been satisfied that there has been produced any satisfactory evidence of injury to industry under this program. In practically every case, there has been an expression of fear of something that might happen. This association is specially interested in the trade agreement that was negotiated with Switzerland in 1936. While dire predictions were made, from time to time, by certain domestic companies, these predictions have not materialized but, on the contrary, according to financial statements, these companies (with the exception of one) have generally prospered and the poor showing of that one company is not due to foreign competition.

On the contrary, many industries have profited by increased exports under the trade agreement with Switzerland. Imports of United States products by Switzerland have increased from francs 125,300,000 in 1938 to francs 1,031,842,568 in 1947. In dollars, Switzerland purchased products of the United States in 1947 to the extent of \$194,496,985. The value of our imports from that country in 1947 was \$83,380,960. The purchases of United States products by Switzerland included large quantities of farm products, automobiles, machinery, typewriters, phonographs, etc., and these purchases by Switzerland demonstrate that em-

ployment was furnished both to farm labor and to industrial labor, and this is only one of many trade agreements that have been negotiated.

A poll conducted by Gallup, published in the New York World Telegram of May 12, 1948, shows that 80 percent of the citizens questioned, who were informed concerning the Reciprocal Trade Agreements Program, were in favor of the extension of that program, 8 percent were opposed, and 12 percent had no opinion. It was stated that no major differences between Republican and Democratic voters were observed in regard to the continuation of the Reciprocal Trade Agreements Act, and that 8 out of 10 in each party supported the continuance of this program.

It is the opinion of this association that the reciprocal trade agreements program is wise and is and will be an important factor in the rehabilitation of the countries devastated by the recent conflict, and will be an important contribution to the maintenance of peace. We believe that the people of this country have come to realize this and that the majority strongly support this program.

Therefore, we earnestly request that the Reciprocal Trade Agreements Act be extended for a further period of three years in its present form.

Respectfully,

AMERICAN WATCH ASSEMBLERS' ASSOCIATION, INC.,  
By A. CARNOW, *President.*

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THE ATLANTIC REFINING CO.,  
*Philadelphia 1, Pa., June 3, 1948.*

MR. CHAIRMAN AND GENTLEMEN OF THE SENATE COMMITTEE ON FINANCE: In view of our inability to be present at the time public hearings were held with reference to the advisability of renewing the Trade Agreements Act, we respectfully submit the following brief with the earnest request that it be considered as a part of the record of the committee:

We urge that the Trade Agreements Act be renewed in substantially its present form for an additional period of 3 years.

While this company's business is predominantly domestic in character, it nevertheless does a considerable volume of foreign business. But whether its domestic business or its foreign business is involved, we believe that a larger volume of trade between this country and foreign countries would be of substantial value to our economy. While the difficult period during which the Trade Agreements Act has been in effect may not permit a completely accurate analysis, we believe the consensus is that the Trade Agreements Act has afforded an excellent means of increasing trade between this country and others. Consequently, we believe that renewal of the act would be a major step in expanding our volume of trade. That result obviously would be beneficial and would necessarily reduce the need for subsidizing a favorable balance of trade.

We believe further that a renewal of the Trade Agreements Act for an additional period of 3 years will go far toward increasing confidence in the foreign policies of this country. We fear that an extension for just 1 year would have the opposite result and might possibly undermine the influence of the United States in foreign affairs.

Renewal of the Trade Agreements Act in its present form would also afford the necessary, but appropriately limited, flexibility in administration which is so essential in view of the varying situations which exist in the various countries abroad.

We believe further that the best way to bolster friendship between this country and others is to enter into sensible trade agreements with a minimum of administrative friction and a maximum of speed. Past experience under the existing Trade Agreements Act has shown that these desirable results ought to be obtained in the future if the act is renewed in substantially its present form for the period mentioned earlier.

These are but a few of the reasons which might be advanced in favor of renewal of the act. Others have undoubtedly been presented to you, both orally and in writing. However, we believe sincerely that the reasons expressed above are sufficient to justify that action and, accordingly, earnestly request that favorable consideration be given to renewing the act in substantially its present form for a period of 3 years.

Yours very truly,

THE ATLANTIC REFINING CO.,  
By A. A. GARRABRANT,  
*Vice President.*

THE BALDWIN LOCOMOTIVE WORKS,  
Philadelphia 42, Pa., June 2, 1948.

SENATE COMMITTEE ON FINANCE,  
Senate Office Building,  
Washington, D. C.

GENTLEMEN: This company is favorably inclined toward the reciprocal trade agreements program and we would like to see another extension of the Trade Agreements Act of 1934.

The writer has just seen a forecast by a well-known publisher of technical magazines that United States exports for the next 5 years are certain to average at least 12.5 billion dollars a year, which is four times the prewar rate. Our own export bookings are holding up fairly well. In 1947, our export bookings were 45.8 million dollars, equal to 39 percent of the total. For the first 5 months of 1948, export bookings total 11.6 million, equal to 28 percent of the total. These figures are for the Baldwin group with operations at Eddystone, Pa., Burnham, Pa., Rochelle, Ill., and San Francisco, Calif. It would be possible to make quite an impressive picture of the work in man-hours provided by this export business for these four communities and in the plants of our suppliers. It would also be possible to review at length the reasons for renewing the Trade Agreements Act. However, since the time of the committee is limited, perhaps it is sufficient to state that the feeling of this community has been ably expressed in editorials appearing in the Philadelphia papers. As an example, photostats are attached. These are copies of clippings taken from the Philadelphia Inquirer of May 26 and May 28. The Evening Bulletin has carried similar information.

As previously stated, we favor an extension of the act in the present form for another 3 years. As a compromise, we would favor an extension for a period shorter than 3 years, but we would not favor loading the extension with restrictions that would almost certainly make the act inoperative as proposed by the House.

In the time that the present act has been in force, that is since 1934, this country has felt no ill effects from it. It is true that the act has greatly helped trade between the countries having reciprocal trade agreements with the United States as compared with those not so favored. This, of course, was the intention of the act.

At present as a result of the last war, with a very few exceptions, all other nations are faced with a shortage of foreign funds and accordingly they feel that their first line of defense is the erection of barriers against imports. These barriers as you know take various forms and it might be argued that we would be foolish to offer to maintain or even reduce our tariffs when the other party is sabotaging the agreement by such devices as import-control regulations. Our contention is that two wrongs do not make a right and that since our country is in excellent condition and is able to take care of the competitive situation, we should endeavor to set a good example for the rest of the world.

We feel that any restrictions placed by Congress on the present reciprocal trade agreements program would tend to have an ill effect on world trade and accordingly would lengthen rather than shorten the present readjustment period through which all countries are now going.

Very truly yours,

CHARLES E. ACKER,  
Vice President, Corporate and Financial.

[From the Philadelphia Inquirer, May 26, 1948]

#### KEEP RECIPROCAL TRADE ACT TO AID WORLD RECOVERY

Passage of the 1-year extension of the Reciprocal Trade Agreements Act before the House today would deal a severe blow to American leadership in the world's economic recovery.

Regardless of the intention, the effect of a grudging, short-term extension of the act, hedged about with cumbersome provisions, would be to tell the rest of the world that there is no assurance that the United States will not return to a restrictive trade policy.

It is clear that the nations now trying to recover from the devastation of war, with liberal American help, need to know that their exports will not be unduly



hampered by a rise in tariff barriers here, and, as would certainly follow, in other countries.

Moreover, to plan intelligently for the future, American industries need assurance that their foreign markets will not be cut off by a revival of discriminatory trade restrictions.

The bill now under discussion would work against both. At best, the process of making agreements to increase international commerce would be slowed down. At worst, the entire policy of reducing tariff walls could be junked, easily and quietly, next year.

As Secretary Marshall said in his unusually strong denunciation of the bill, its proponents seek to make "protection" the only standard for setting tariffs, without taking into account the interests of the rest of the world.

But the United States, as the world's biggest producer, would get more real protection in the long run by adhering to a policy which aimed at stimulating the flow of goods. And it would be enhancing the prospects of recovery in other nations whose well-being is essential to the success of the bipartisan foreign policy—and the peace of the world.

The arbitrary gag rule clamped on discussion of this question in the House probably will render it impossible for that body to amend the legislation.

The Senate can reaffirm American economic leadership, and aid the long-range prosperity of this country, by insisting on a reasonable and workable extension of the reciprocal tariff act before the present one expires.

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[From the Philadelphia Inquirer, May 28, 1948]

#### THREAT TO TRADE POLICY

There was nothing in the performance of the House in maiming the Reciprocal Trade Agreements Act to justify the frequently voiced demands that the lower body of Congress have a greater voice in the conduct of foreign affairs.

Here was a question requiring an approach based on a broad view of the world's current problems and of the American role in meeting them. The House vote indicates scant concern with the implications of its restrictions on the act.

The Senate, with its traditional interest in foreign relations, may take a less circumscribed view of the issue. Hopes for this are increased by Senator Arthur H. Vandenberg's forthright indorsement of the present method of making trade agreements.

Because trade between the United States and the rest of the world is so vital to European recovery in the next few years, it is essential that there be some assurance of a consistent, trade-fostering policy. The House bill provides no such assurance; rather it will cause fears that tariff walls will rise again.

Extension of the tariff act is needed to provide guarantees that the United States has no intention of erecting barriers to world recovery, and to aid our own prosperity. We hope the Senate follows the lead of Senator Vandenberg by voting to retain this indispensable ingredient to a sound foreign policy.

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[From the Philadelphia Inquirer, May 28, 1948]

#### RECIPROCAL TRADE ACT—UNITED STATES RIGHTS GUARDED—INDUSTRY CAN APPEAL—CHANGES ARE DRASTIC—"LOGROLLING" LIKELY

By William L. Batt, president of SKF Industries, Inc., and former Vice Chairman of the War Production Board

The discussions in the Congress of the United States on extension of the Reciprocal Trade Agreements Act has a far-reaching influence on every citizen of this country. But it is my belief that the average man has not had the picture put before him with sufficient clearness that he can make up his mind. The purpose of this letter is to try to simplify some of these issues.

For the last 14 years the President has been given the authority by the Congress to adjust tariff barriers between nations by mutual agreement and for mutual benefit, without having each agreement handled as an international treaty, and therefore subject to ratification by the Congress.

Under those powers, foreign nations have made it easier for us to sell our goods abroad and we in turn have made it easier for many of them to sell their products here.

The result has been to allow purchasers from abroad to pay their bills to us by furnishing goods which the American people want. American rights have been fully safeguarded. An impressive feature of the trade-agreement program is the interdepartmental Government machinery that has developed over these years. By the present law the Departments of State, Commerce, Agriculture, Labor, Treasury, National Defense, and the Tariff Commission are required to participate at all stages of preparation.

All affected interests have a good opportunity for hearing before the proposals are discussed with other countries. But after an agreement on a new duty has been reached, an American industry which is materially hurt can be relieved through a so-called "escape clause."

This reciprocal-trade program has been our pledge to the world that we recognize the vital necessity of two-way trade and that we know we cannot have exports unless we have imports.

We recognized this principle in the overwhelming support given to the European recovery program, which is more familiarly known as the Marshall plan. Through this we pledged ourselves to help other countries recover their ability to produce and trade and develop a sound economy.

As one safeguard to our huge investment in that program, Congress provided that the participating nations should reduce barriers to trade among themselves and other countries.

We have demanded that foreign nations reduce trade restrictions, but almost in the same breath we now propose to raise serious restrictions on our own side.

The present act expires June 12. The President has recommended a renewal of this act for 3 years. This proposal is strongly supported by General Marshall for the State Department, the United States Chamber of Commerce, the CIO, and many other important national groups.

The House of Representatives is proposing only a 1-year renewal, and with such drastic changes as to torpedo our whole program in the field of international trade. I shall not ask for the space to discuss the details of these proposed changes.

It is enough to say that a 1-year renewal would create the impression everywhere that we did not intend to carry through the commitments assumed by the Marshall plan: that the requirement for congressional approval of certain proposals will cause interminable delay and most likely result in a return of the old-fashioned "logrolling."

Generally, therefore, to strike at the very heart of the confidence of the rest of the world is a consistent international trade policy by this country.

The desire of some American producers to protect themselves from the ruinous competition of cheap foreign product is understandable. American labor would be the first to suffer from such competition and yet a large group of the most thoughtful labor leaders has approved our present program.

They know that agreements which bring injury to the economy of the country can be changed but they also know that there will be more jobs for the workman of Philadelphia and of the country with a healthy two-way world trade.

The writer is a Republican who will strongly resent his party leadership proposing to return to the old high-tariff policy of the Smoot-Hawley days which undoubtedly played a large part in the depression of the thirties both here and abroad.

Many thoughtful Republican leaders have disavowed that policy but apparently there are still some in places of large congressional influence who fail to see how much we and the world have changed.

A fairly wide contact with the thinking of the people across the country leads me to the conclusion that they will not support a congressional policy which restores the old "logrolling" tariff days. I shall close this communication with the statement of the taxicab driver who said, "There comes a time when men must rise above principle and do the right thing."

A return to the cumbersome system of congressionally negotiated tariff rates is not the right thing and the damage to every American can be incalculable. The present way of handling our tariffs has worked and should be continued without material change.

All of us here in Philadelphia have a big stake in world trade and we should not let this proposal by the House of Representatives go by default.

CHAMBER OF COMMERCE OF PHILADELPHIA,  
*Philadelphia 3, Pa., June 2, 1948.*

HON. EUGENE D. MILLIKIN,  
*Chairman, Committee on Finance,  
 Senate Office Building, Washington, D. C.*

DEAR SENATOR MILLIKIN: The executive committee of the Chamber of Commerce of Philadelphia, acting on recommendations of our World Trade Council, is on record favoring the extension of the Reciprocal Trade Agreements Act in its present form for a 3-year period to June 12, 1951.

This position, reaffirming previous action, was taken after an extensive study and a careful consideration of the subject and, as a result, it is our belief that the Reciprocal Trade Agreements Act has proved to be the most satisfactory procedure yet devised for attaining the benefits of expanding world trade. The act is, therefore, recognized as a most important contribution to the over-all endeavor by the United States to help bring about a peaceful and prosperous world, which effort is further characterized by the European recovery program.

In view of these considered opinions, this organization strongly urges that your committee should appropriately amend H. R. 6556 from the form in which it recently passed the House, so as to provide for the extension of the Reciprocal Trade Agreements Act for a period of 3 years without any changes in its present provisions.

Respectfully yours,

CLEMENT V. CONOLE,  
*General Manager.*

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FOREIGN TRADERS ASSOCIATION OF PHILADELPHIA, INC.,  
*Philadelphia, Pa., June 2, 1948.*

SENATE COMMITTEE ON FINANCE,  
*Room 310, Senate Office Building, Washington, D. C.*

GENTLEMEN: This association included on its membership list a total of over 400 persons living and working in the Philadelphia area who are directly interested either in export or import trade or supplying service of one kind or another to companies engaged in such trade.

The association has already gone on record as favoring the reciprocal trade agreements program as it has been operated during the past 14 years.

The arguments for a renewal of the Trade Agreements Act have been stated, enlarged upon, analyzed, and repeated many times during the past few months in newspapers, business magazines, and in personal letters addressed to Members of the House and Senate. Perhaps the feeling of this community has been best expressed in editorials appearing in the Philadelphia papers and I might mention particularly the Philadelphia Inquirer issues of May 26 and May 28 and the article in the latter by William L. Batt, president of SKF Industries, Inc. (photo-stats attached). The Evening Bulletin has also carried similar editorials and articles.

The Foreign Traders Association of Philadelphia favors an extension of the act in its present form for another 3 years. As a compromise, we would favor an extension for a shorter period than 3 years but we would not favor loading the extension with restrictions such as proposed by the House that would almost certainly make the act inoperative.

In the time that the present act has been in force, that is, since 1934, this country has felt no ill effects from it. It is true that the act has greatly helped trade between the countries having reciprocal trade agreements with the United States as compared with those not so favored. This, of course, was the intention of the act.

At present as a result of the last war, with a very few exceptions, all other nations are faced with a shortage of foreign funds and accordingly they feel that their first line of defense is the erection of barriers against imports. These barriers as you know take various forms and it might be argued that we would be foolish to offer to maintain or even reduce our tariffs when the other party is sabotaging the agreement by such devices as import control regulations. Our contention is that two wrongs do not make a right and that since our country is in excellent condition and is able to take care of the competitive situation, we should endeavor to set a good example for the rest of the world.

Our association thinks that any restrictions placed by Congress on the reciprocal trade agreements program would tend to have a bad effect on world trade

and accordingly would lengthen rather than shorten the present readjustment period.

Very truly yours,

THOMAS L. FOSTER, *President.*

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STATEMENT OF CALEB A. SMITH, DEPARTMENT OF ECONOMICS, SWARTHMORE COLLEGE,  
FOR THE FRIENDS COMMITTEE ON NATIONAL LEGISLATION

The reciprocal trade agreements program of the United States has been widely hailed as the most constructive step taken in the past generation toward the liberation of world trade. The Friends Committee on National Legislation concurs in this opinion. Failure to renew the authority under which the comprehensive pattern of agreements reciprocally lowering trade barriers has been negotiated would be interpreted as a repudiation of United States leadership in the movement for freer trade.

The road which leads away from freedom in international trade leads also away from freedom for the international trader and for the economy as a whole. In a world of exchange controls, quotas, and barter agreements what international trade there is must be carried out through rigid Government controls or by cartels. Some individuals and groups benefit at the expense of others. Vested interests are built up which strive by lobbying and political pressure to maintain and improve their privileged position; a position of privilege obtained at the expense of American consumers. They become like the grade-crossing tender who opposed the construction of an overpass. This grade-crossing-tender complex built around restricted trade would lower our productivity, and thus our average standard of living, as well as poison the bases of our democratic political system.

Trade barriers are not a way to protect the American standard of living. Wages and profits are highest, not in industries needing protection, but in industries like our great automobile industry and other branches of machinery making which need no protection. Even the wages and profits that are made in protected industries are gained at the expense of American consumers who must pay higher prices for the American-made protected products. The Government should facilitate the movement of workers and businessmen out of uneconomic industries which need protection and into efficient industries which can stand on their own feet rather than continue the subsidy of protection.

But these direct losses to Americans are only one part of the picture. Trade barriers are a divisive force in a world which cries out for greater unity. They say to a producer, "Your product is good; our people would like to buy it, but you may not sell it in our country because you live across an international boundary or across an ocean." It is as though the State of New Jersey were to say to the dressmaking industry of New York City, "Your dresses may not be sold in New Jersey, or only a few may be sold, or they may be sold only after paying a high tariff." The people of New York and New Jersey would thus be divided and become mutually suspicious.

Trade barriers are a monopoly technique and as such hurt the weak more than the strong. Countries less bountifully endowed with natural resources and a varied climate than our own and with smaller and less diversified industry needs to trade with us even more than we need to trade with them. We have no moral right to say to them, as we could under the system of tariffs, quotas, and barter that would emerge if the road to freedom of trade is abandoned, "We, being economically strong, will get all the gain we can wrest from trade with you; we will allow you only to garner the crumbs."

The people of the United States have rejected the idea that domestic monopolists should destroy the freedom of others by exploiting their monopoly. We must reject the idea that we as a nation should use our strength in international trade to exploit other nations if the United States is to be in a position to supply the moral leadership needed in the world today.

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STATEMENT OF ALBERT S. GOSS, MASTER, THE NATIONAL GRANGE, ON RECIPROCAL  
TRADE AGREEMENTS

1. America needs a tariff policy. It should be based on sound economic principles and its administration should be such that changing economic conditions

would automatically be reflected in changed rates, with due regard for the necessity of sufficient assurance of continuity to permit the consummation of transactions covering a reasonable term of performance.

2. It cannot be said that we have a tariff policy. The nearest we come to it is a provision in the Trade Agreements Act of June 12, 1934, that the President may modify tariff rates whenever he finds "that any existing duties or other import restrictions \* \* \* are unduly burdening or restricting the foreign trade of the United States." In practice this results in promoting foreign trade without regard to its effect on our domestic economy. There seems to be a widespread feeling that trade invariably creates wealth and promotes prosperity. Trade of itself does not create new wealth although prosperity can be promoted provided we trade the items we can produce to the best advantage for products which can be produced to best advantage elsewhere. Similarly prosperity can be retarded if we trade for things we do not need or so trade that we retard the production of wealth, or injure our producers. In such circumstances no one benefits but the middleman who profits at the expense of our total economy. There is nothing gained by trade unless it accomplishes some definite beneficial purpose other than enriching the middleman. We need a tariff policy defining such purpose.

3. Our latest tariff act, known as the Smoot-Hawley Act, was passed in 1930. Like its predecessors it was hammered out in committees and on the floor of the Congress after long study of differences in production costs between home and abroad, modified to a greater or less degree by pressures from special interests, by trades, by bargaining, and by political pressures. When enacted it was not a policy, but a schedule of rates. No committee, with all the burdens the members have to carry, can make the detailed studies necessary to apply sound tariff principles to the thousands upon thousands of individual items which make up our tariff structure. Tariff making has proved to be such a long difficult process that tariff legislation is the dread of both majority and minority parties, and needed tariff changes have often been long deferred for fear of opening the whole question up for changes of such a far-reaching nature that a wholesale revision might result.

4. It is true that legislation has been enacted permitting a 50-percent modification in tariff rates, up or down, plus another 50 percent in some cases, but since no guiding principles have been established by the Congress, it is not surprising that an administrator who happened to favor free trade should manage to make all the changes on the down side, just as an administrator who happened to favor high tariff rates would likely put the rates all up again. That is not a tariff policy.

5. Under our Constitution the responsibility for determining our tariff policies rests with the Congress, but under the practice which has developed, the Congress has practically abdicated, and reciprocal-trade treaties are consummated on terms differing widely from those established or intended by the Congress with little or no regard for rising production costs or changing economic conditions. When the decisions on tariff adjustments are determined by a department whose principal functions are primarily to promote foreign relations, it is inevitable that domestic problems will not get the same consideration as would be given either by the Congress or a commission charged with carrying out a definite tariff policy.

6. Now the Congress is asked to continue the present "policy-less" program for another 3 years. We are opposed to the proposal. We believe the time has come to adopt a sound tariff policy and to take adequate steps to see that it is administered as the Congress intends. We believe the Congress can adopt such a sound proposal now as well as a year or 3 years from now. If, however, this should prove impossible in the short time remaining, we would oppose renewing the present law in its present form for even 1 year. In such circumstances we would recommend:

7. (A) A provision that no reciprocal trade agreement should become effective until it either had the approval of the Congress or had lain before the Congress for 30 or 60 days when the Congress was in session, and had not been disapproved in whole or in part by majority vote.

8. (B) The renewal of the act, amended as suggested above, for not more than 1 year, to give time to develop a sound tariff policy.

9. We would prefer to see the act expire than to see it renewed in its present form. In its present form it has worked to the disadvantage of the farmer, possibly because so many countries have little or nothing to export to us except agricultural products. If we apply the 1945 reduced rates to the 1939 dutiable

imports, our last prewar years, 65 percent of all the cuts figured on value, were on farm products. The average reduction was about 45 percent—almost as much as the permissible limit. The Geneva conference has extended these still further. We do not believe that Congress intended that the farmer should bear such an undue share of the burden.

10. What we would really like to see would be the enactment of legislation providing:

11. (A) A clean-cut tariff policy to serve as a guide (1) in modifying general tariff rates from time to time, and (2) in consummating reciprocal trade agreements.

12. (B) A Tar ff Commission clothed with the authority and duty to—

(1) Maintain a constant study of domestic and foreign production costs and production conditions.

(2) Make recommendations to the President and the Congress for modifying existing tariff rates, such modification to conform to the tariff policy established by the Congress, with due regard for ample notice of change. If constitutional we would even prefer that the Commission itself establish the tariff rates subject to the approval of the Congress after 30 or 60 days' opportunity for scrutiny as provided in paragraph 13 below.

(3) Make recommendations to the Congress for approval or disapproval of every reciprocal trade-agreement proposal, as provided in paragraph 13 below, accompanying such recommendation with an analysis of its terms and of its conformity to the policy established by the Congress.

(4) Make recommendations to the Congress from time to time for the exclusion of existing items, or the addition of new items with proposed rates thereon.

13. (C) That all tariff rates promulgated by the President or by the Federal Tariff Commission, and all proposed reciprocal trade agreements should be referred to the Congress before which the proposal should lie for 30 or 60 days unless sooner approved or rejected in whole or in part, and if no action is taken by majority vote, at the expiration of such period the proposed change would become part of our national tariff schedules.

14. (D) That the action of the Commission with regard to establishing tariff rates should be confined to items covered in present law, or items specifically approved by the Congress, except that the Tariff Commission would be expected to make recommendations as outlined above.

15. (E) Granting the President power for a 2-year term to enter into trade agreements with other nations, of not longer than 3 years' duration, with the 6 months' notice clause as now provided, when the terms of such agreements have been approved by the Tariff Commission as conforming to the tariff policy established by the Congress, and when such trade agreement has either been approved by the Congress or has lain before it for the statutory 30- or 60-day period; providing that in cases where negotiations for such an agreement have been started before the expiration of such 2-year term, an additional 12 months should be allowed for the consummation of such agreement. Until experience has demonstrated the wisdom of such reciprocal trade-agreement provision, a grant of authority limited to 2 years would seem best so as to permit each new Congress to look it over.

16. (F) Granting the President power to modify tariff rates on recommendation of the Tariff Commission provided that such proposed changes have either been approved by the Congress or have lain before it for the statutory 30- or 60-day period.

17. (G) That with the exception of the trade-agreement clause discussed in paragraph 15, the authority of the President to modify tariff rates upon recommendation of the Tariff Commission, and with the approval of the Congress, should remain on the statute books until changed by the Congress.

18. With reference to a tariff policy, we recommend:

19. (A) That tariffs be confined to those items which are substantially competitive with American production.

20. (B) That the basis of rate making should be (1) the difference in cost of production between home and abroad, confined to items which can be produced on an economically sound basis, (2) the need to encourage production of strategic items, and (3) the need to maintain production of specific items in the interest of the general welfare and the maintenance of a balanced economy.

21. (C) That in determining the tariff rates and the items on which they would apply, the Tariff Commission should take into consideration, among other factors:

(1) Natural advantages; it being the purpose not to exclude items which can be produced abroad at much lower cost by reason of advantageous soil conditions, climatic conditions, transportation conditions, cheaper sources of raw materials, or other natural advantages.

(2) Standards of living; it being the purpose to protect our producers from competition of products produced by workers engaged in any phase of production or marketing, whose low standards of living have contributed to the low cost of the imported product, giving due consideration to the effect of such living standards upon the increase or decrease in output.

(3) Diverse uses; it being the purpose to protect producers from low-cost products made possible by an abnormally high market for a portion of the product.<sup>1</sup>

(4) Temporary conditions; it being the purpose to protect producers from the effects of dumping surplus products on our markets at figures made possible by abnormal or unusual circumstances.

(5) Continuity of supply; it being the purpose, except in cases of abnormally low supply, to protect our producers against competition of products, the supply of which may not be constant.<sup>2</sup>

(6) Sudden injury to well established industry; it being the purpose to prevent some change in imports to effect the sudden serious injury of some industry without adequate opportunity for the owners and employees to make adjustments to protect themselves.

(7) Subsidized competition; it being the purpose to protect American producers from competition made possible by such artificial advantages except, of course, in the case of such commodities as we cannot produce in sufficient volume for our needs at reasonable costs.

21. (B) (8) Domestic programs of price support for agricultural products; it being the purpose to avoid undermining any price support programs which the Congress sees fit to provide.

22. (D) That the Congress empower the President to designate strategic items deemed necessary for self continence; it being the purpose to encourage the production of such strategic items as the Congress or the President may from time to time determine, even at higher costs than we would have to pay for imports, in order that we might not find ourselves disastrously dependent on foreign supplies in time of war when such supplies might be cut off. Stock piling of strategic materials should be encouraged and power given to the President to suspend tariffs for the purpose.

23. (E) That a policy of protecting the producers of products entering into world competition be perfected designed to give them at least the advantage of freight differentials if needed to maintain production on a sound basis. For example, rice growers may soon have to face the competition of world markets and, unless we reduce production to domestic requirements, our domestic prices, if not protected, would be Liverpool prices, less freight. If we reduced production to something lower than domestic requirements, our prices would be Liverpool prices plus freight. It would not be in the public interest to reduce the production of this great source of wealth in order to attain a remunerative price level. In such circumstances America, and the world at large, would be better off to maintain a two-price system, supported by a tariff, giving protection to the extent of the sum the public would have to pay in freight under reduced production. Congress may well consider policies which will continue the stable production of our basic crops, protected by a two-price system which will assure the continuation of production rather than a curtailment with resulting loss of both national income and jobs.

24. We do not submit these suggestions as constituting a complete or perfect tariff policy. In our judgment, however, if adopted, they would provide us with a start or foundation for a tariff policy which would serve as a badly needed guide, both to the Tariff Commission and to the administrators of our laws involving tariff adjustments or reciprocal trade agreements. The policy could

<sup>1</sup> The sheep industry might be cited as an example of diverse uses. If the producers of Australia enjoyed an abnormally high market for lamb or mutton, their cost of producing wool would be lower, and the excess supply might drive selling prices to levels ruinous to foreign producers. Unless protected against such abnormally low wool prices, which might be artificial or might be merely temporary, American sheep production would fall off materially and the American people would pay higher prices for meat.

<sup>2</sup> Tree crops might be cited as an example. Foreign producers might be able to invade our markets for a few years at prices ruinous to our average producers, but unless there were reasonable likelihood of continuity of supply, American consumers might face scarcities and exorbitant prices if our orchards had been destroyed and it took years to replace them.

well be modified by the Congress from time to time as economic conditions changed or as experience demonstrated that modification might be advisable, but we would strongly urge that the Congress, (a) confine its tariff legislation to establishing basic policies; (b) that it place the responsibility for rate making on the Tariff Commission or some agency adequately equipped to conduct the research necessary to determine how the policies should be applied to individual items; (c) that such agency be amply financed to do a good job and do it promptly; and (d) that any changes in tariff rates, in reciprocal agreements or otherwise, be laid before the Congress with full reports thereon, before becoming effective, in order that the Congress may always be the judge as to whether its policies are being carried out within its full intent and purpose.

25. What we need most is a tariff policy that business, labor and agriculture can rely on—a policy based on sound principles rather than political considerations—and we need it now.

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STATEMENT OF R. M. HOLLINGSHEAD CORP., CAMDEN, N. J.

American public strongly in favor of renewal of Reciprocal Trade Agreements Act in its present form for a period of 3 years: 122 organizations, whose members total more than 50,000,000 American people have passed resolutions favoring renewal of the present act. Fifty of these organizations are national organizations, 22 are State-wide, and 49 of them are local groups.

Do not know of a single person (except United States Tariff League and a few Congressmen) who is not in favor of renewing act in its present form: I am active in a number of associations, as shown below, and among my personal acquaintances I know of no one who is against passage of bill H. J. 335.

Ninety-six percent of manufacturers in favor of renewal: In 1945, 96 percent of the manufacturers answering a poll conducted by the American Exporter favored renewal of the act at that time. That poll or survey showed 84 percent of average of such manufacturers' businesses is in the United States, as against the 16 percent in export. Eighty-seven percent of those manufacturers, nevertheless, approved granting the additional authority at that time of lowering or increasing duties by not more than 50 percent of the January 1, 1945, rate.

Act has been efficiently administered: Industry, agriculture, and labor have praised the administration of the act for the past 14 years.

No industry or manufacturer has been harmed: I challenge any industry to show that the lowering of duties, in return for concessions made by other countries, has in any way harmed them.

No one has been thrown out of a job: I do considerable public speaking before Rotaries, Kiwanis, colleges, schools, trade associations, etc. When asking such audiences, "Have any of you ever known of anyone that was thrown out of a job because of the administration of the Reciprocal Trade Agreements Act?", no one has ever answered, "Yes."

Labor in favor of reciprocal trade agreement program: Both the A. F. of L. and the CIO favor same. The A. F. of L. has testified in the past before the House Ways and Means Committee that the American consumer is the one who is penalized by high tariffs, and that less than 2,000,000 people in the United States could possibly benefit by high tariff, whereas 43,000,000 people are harmed.

Consumers favor renewal of the act: The National Association of Consumers in their Field Letter, April 9, 1948, state: "A tremendous battle is expected, with strong opposition from the high tariff boys, who want to emasculate the act and place the United States once more on the road to high-protectionism. Attempts to make a political football out of international trade agreements by giving Congress power to confirm or reject the agreements are anticipated. For the good of consumers, and for international amity, the present act should be extended without crippling amendments."

Automotive industry is in favor of this legislation: The National Standard Parts Association, Chicago, consisting of over 1,000 automotive wholesalers and 500 automotive manufacturers passed in January of this year the following resolution:

"Among the most important legislation to come before the current session of Congress, will be renewal of the trade agreement authority. The present act, first adopted in 1934, will expire in June 1948, and, therefore, should be renewed.



"It is the considered opinion of the National Standard Parts Association that the program of business and commercial enlargement, developed under reciprocity tariff agreements, has been highly beneficial to American industry, agriculture, and labor. More jobs have been made for Americans by the 40 trade expansions pacts negotiated with overseas countries and territories. These agreements cover a large part of America's export and import trade, expanding and making both more important. The American automotive industry has greatly benefited by the reciprocal trade agreements, as duties on American automotive items in many countries were lowered and in many instances the duties were 'frozen' at their existing rate thereby preventing increased duties being imposed.

"The National Standard Parts Association believe that the act has been well administered and that no American industry has been significantly harmed by any tariff reductions resulting from overseas negotiations; many important industries have been aided materially. Adequate safeguards, against misuse of the tariff authority are contained in the act and satisfactory provisions are carried out in administration of the program to redress any injury that changing conditions might inflict on domestic industry.

"The trade agreement authority has now been approved by Congress in 1934, 1937, 1940, 1943, and 1945. In fact, it was not made permanent legislation so that, at specific intervals, its renewal might offer Congress an opportunity to study and review its operations. In each of these years, both Houses of Congress have held exhaustive hearings, taken many pages of testimony concerning effect of the program on American business. That the act has been renewed so many times is one of the many reasons why it should be reenacted in 1948, without change, for another 3 years.

"Under present world conditions, with the peace-loving nations seeking normalization and rehabilitation after the war, every effort must be made to build higher the international interchange of goods and services. Many world problems will be settled if trade is revised, greatly increased, so there may be prosperity for all.

"The National Standard Parts Association believes in liberal world trade, not free trade. It believes, also, that the reciprocal trade agreement program is a forward step in the attainment of peaceful and liberal commerce among the nations. Therefore, the National Standard Parts Association stands fully behind renewal of the reciprocal tariff act and believes renewal should be passed as a nonpartisan measure benefiting American industry, agriculture and labor."

National Planning Association (composed of authorities in business, labor, and agriculture): "By implementing the Reciprocal Trade Agreements Act and by other appropriate measures, we must follow a tariff policy consistent with our position as a great creditor nation." (Goals of a Bipartisan Foreign Policy, January 1947.)

Agriculture is in favor: The National Farmers Union have stated: "We believe it would be tragic if they (reciprocal trade agreement negotiations) failed or if, succeeding, they were merely a paper success, not including real advances toward razing of trade barriers and not followed by actual expansion of trade."

Following organizations, with which I am associated in capacity shown, have gone on record favoring renewal of Reciprocal Trade Agreements Act in its present form for 3 years without any crippling amendments: Overseas Automotive Club (past president) whose members represent 900 automotive manufacturers; Motor Equipment Manufacturers Association (vice chairman, export committee) whose members represent over 500 automotive manufacturers; National Standard Parts Association (chairman international trade committee) representing 1,000 automotive wholesalers and 500 automotive manufactures; Foreign Traders Association of Philadelphia (past president and present director) whose 400 members represent all the leading manufacturers in the Philadelphia, Camden, Wilmington, Trenton, Reading, and Chester area; National Foreign Trade Council (member of governmental committee and transportation committee) whose members represent over 1,500 leading American manufacturers doing international trade.

Times have changed: When America was a young Nation and needed to protect its infant industries until they grew into mass production, high tariffs were justified. At the present, as we are a creditor Nation and in order to maintain full employment, our excess products must be exported. We cannot export without importing. We must do everything to encourage imports.

"Escape clause" in all agreements gives adequate protection to any American industry fearful of being harmed: All American industries are assured that the administration of the act will not harm them. They are given the opportunity, upon being harmed, to request immediate relief.

Opponents suggest Senate approval of all agreements: In the entire history of the United States, only three reciprocal trade treaties have been ratified by Congress—Canada in 1850, Hawaii in 1875, Cuba in 1902.

From 1844 to 1902, 10 other reciprocal trade agreements were negotiated, but not a single one approved by Congress. Under President McKinley and President Theodore Roosevelt, 12 reciprocal treaties were negotiated, but not a single one came to vote in the Senate. However, in the Tariff Act of 1890, some 12 reciprocal agreements were made effective, and under the Dingley Tariff Act of 1897, 15 agreements come into force.

The United States Tariff Commission in 1933 summarized the reciprocal experiences of the United States as follows: "The past experiences of obtaining reciprocal tariff concessions by means of treaties, and the greater success in negotiating executive agreements may be significant as a guide to further policies."

Our company has been greatly benefited by reciprocal trade agreements program: Our overseas trade is a very important factor in our business. Our products in numerous countries have been granted duty reductions and in many other countries duties have been frozen, both of which have enabled us to ship considerable portions of the goods that we produce to overseas markets.

European recovery program gives new significance to trade agreements act: Congress, in approving ERP, definitely committed the United States to continuation of the reciprocal trade program. The participating European countries are requested by the United States to lower trade barriers among themselves. How can the United States reject a course suggested to others? Columnist Walter Lippmann stated in his column of May 3, "The Republican Party can no longer oppose extension of this act without repudiating its own solicitude and precise comments, now the law of the land, an integral and essential part of the Nation's foreign policy."

Manner in which H. R. 6556 was jammed through House: The high-handed, undemocratic actions of the Republican steering committee with reference to the renewal of the Reciprocal Trade Agreements Act for a period of 3 years, is lamented by millions of Americans engaged in agriculture, industry, and labor.

"The Republican steering committee legislates for the Ways and Means Committee," Representative Forand (Democrat, Rhode Island), a member of the subcommittee on tariffs, was quoted in the New York Times as saying that. He further stated that since the concluding of a week of closed hearings the subcommittee on tariffs had not met to discuss the terms of an extension bill.

"The Ways and Means Committee is merely a vehicle used by Republican leaders of the House to bring to the floor legislation that they want enacted," Representative Forand said this. The House Ways and Means Committee followed the dictatorial Republican steering committee and reported out by a strictly party vote (15 to 9) Gearhart's substitute bill H. R. 6556 which would destroy all chances of the reciprocal trade agreements program succeeding.

Did the House Ways and Means Committee give any member of the House any information as to the pros and cons of the trade agreements issue? I have heard that they did not.

Should Congress act for people, or, for the Republican steering committee, Gearhart, etc.? If Congress is to retain the respect of the American citizen, every member of Congress should revolt at such an intolerable condition.

Disadvantages of H. R. 6556: They are as follows:

One year extension will be misinterpreted abroad. Unless the act is renewed for 3 years all countries abroad will interpret that the United States is reverting to isolationism.

It would take the United States Tariff Commission out of the existing pattern of multiple-agency cooperation and give it powers which would impair if not completely nullify the functions of the other agencies which have been active in the negotiation of trade agreements.

It would arbitrarily and specifically exclude the Tariff Commission from contributing to the negotiation of trade agreements the wealth of information accumulated in its files.

It would create with countries abroad the impression that negotiating reciprocal trade agreements with the United States would necessitate the

approval of the United States Congress, a method which has proved unworkable in the past.

I respectfully request that the Senate Committee on Finance and the Senate pass favorably on bill H. J. 335 (Doughton) which would renew the Reciprocal Trade Agreements Act for a period of 3 years in its present form. I am confident that a great majority of the American people favor the renewal of the act in its present form.

R. M. HOLLINGSHEAD CORP.,  
W. H. LUKENS, *Vice President.*

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STATEMENT OF INTERNATIONAL HOUSE, NEW ORLEANS, LA.

International House, a nonprofit, nontrading organization dedicated to world peace and understanding through development of world trade and composed of a national and international membership of over 1,800 foreign traders, and others directly or indirectly interested in world trade, begs to submit the following:

Whereas House Joint Resolution 335 is now being considered by the Ways and Means Committee of the said House, and

Whereas the present Reciprocal Trade Agreements Act is about to expire on June 12, 1948, and

Whereas failure to extend the said act in its present form and without crippling amendments, would give aid and comfort to the world forces alined politically and economically against the western world in general, and the United States of America in particular, and

Whereas the bipartisan policy of the United States stated by our Government representatives and their political and trade advisers, representative of both political parties, at Geneva and again at Havana, and again at Bogotá, would be effectively repudiated by failure to continue the Reciprocal Trade Agreements Act, and

Whereas, said act is deemed to be of essence to our Government for the purpose of enabling it to bargain effectively with other governments for liberalization of trade hampering enactments and regulations, and lowering of international trade barriers,

Now therefore, International House and its membership declare themselves unreservedly in favor of the continuation of the said act and the powers delegated to the President under its terms for a period of not less than 3 years as provided in House Joint Resolution 335, and preferably for a period of 5 years so as to have the new expiration date fall after the 1952 Presidential election, thus continuing to make it an instrument of bipartisan foreign policy.

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STATEMENT OF MISS ANNA LORD STRAUSS, PRESIDENT, LEAGUE OF WOMEN VOTERS OF THE UNITED STATES, IN SUPPORT OF RENEWAL OF THE RECIPROCAL TRADE AGREEMENTS ACT AND IN OPPOSITION TO H. R. 6556

I believe that your committee is familiar with the position of the League of Women Voters of the United States in favoring renewal of the Reciprocal Trade Agreements Act, for 3 years, without crippling amendments. The principles of the act have been supported by the league since 1936. Just over a month ago, our national convention, meeting in Grand Rapids, reaffirmed this support on behalf of the 630 leagues in 34 States.

The league has consistently favored the trade-agreements program because we are convinced that reduction of trade barriers is one of the cornerstones of a sound United States economic policy. We believe that the United States stands to gain from the program, both in our own prosperity and as a member of the world community.

The need for continuing the Reciprocal Trade Agreements Act in its present form is greater now than ever before. The United States needs this machinery if we are to continue to play our part under the Economic Cooperation Act, which specifies a reduction of trade barriers. We need this machinery if we are to keep our export markets, for we must let in the goods of other nations if they are to be able to buy from us. Perhaps most important of all, we must not jeopardize our position of world leadership by retreating in a field which is vital to international economic cooperation.

We specifically oppose H. R. 6556 because it would be a step backward from the forthright position of United States leadership toward an expansion of world trade. The new procedure of negotiating agreements appears to be so burdensome that it is doubtful whether any trade agreements could actually be negotiated under it. The changed role of the Tariff Commission would give increased weight to the special interest groups and might destroy the necessary balance between the needs of all facets of our economy. The provisions for congressional veto would endanger whole agreements if special interests should throw their weight into defeating them. Finally, an extension for 1 year rather than three would suggest hesitation to continue the reciprocal-trade program as a permanent part of our economic policy.

For these reasons, we respectfully request your committee to reject H. R. 6556 and to report out instead a 3-year extension of the Reciprocal Trade Agreements Act without modification.

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STATEMENT OF JOSEPH H. FRANCIS, SECRETARY, NATIONAL BOARD OF FUR FARM ORGANIZATIONS

The fur farming industry desires to be on record in favor of passage of H. R. 6556.

The fur farmers feel that the passage of this legislation in its present form is necessary and vital to the future welfare of the small American industries.

Readjustments of world economics and policies affecting international trade require that immediate steps be taken by our Government to revise and clearly define the over-all policy of our country in relation to international trade.

Procrastination and delay in revising all statutes dealing with the issue of international trade will only perpetuate and multiply the present injustices and confusion that exist due to the present obsolete and inadequate statutes under which domestic industries are required to operate.

Established industries are degenerating, and development of new industries is being curtailed because of the lack of stability and continuity due to the fact that no basic foreign trade policy exists.

It is, therefore, necessary that the extension of the present Trade Agreements Act be limited to 1 year, and that the present safeguards be retained in the bill to protect the interests of American industry and economy while the entire program dealing with international trade is remodeled and adjusted to meet the needs of the present new economic era.

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NATIONAL COUNCIL OF FARMER COOPERATIVES,  
*Washington, D. C., June 3, 1948.*

HON. EUGENE D. MILLIKIN,  
*Chairman, Finance Committee,  
United States Senate, Washington, D. C.*

DEAR SENATOR MILLIKIN: With regard to the extension of authority to negotiate trade treaties under the Reciprocal Trade Agreement Act, the National Council of Farmer Cooperatives, in policy adopted by the delegate body, favors:

1. Limitation of the application of any reciprocal concession in tariff to the particular nation or nations which have granted concessions in return.

2. To require analysis, review and approval of trade agreements with respect to their effect on a domestic industry by the Tariff Commission before they are put in effect.

3. To forbid inclusion in the negotiating or bargaining list of any agricultural commodity, the actual or potential domestic production of which is certified by the Secretary of Agriculture to be equal to domestic consumption requirements or a substantial portion thereof.

4. Where the Secretary of Agriculture certifies that the actual or potential domestic production of an agricultural commodity is equal to domestic consumption requirements or a substantial portion thereof, or that it is necessary for national defense, imports of such commodity shall be so limited as to not interfere with domestic agricultural programs effecting a commodity, or in the absence of such a program, with maintaining a position of economic equality with other domestic industries.

In your deliberations and recommendations on Reciprocal Trade Treaty Act extensions, we urge you to take these policies into consideration. The producers of many of our specialized nonbasic, perishable agricultural products such as nuts, fruits and vegetables, have been adversely effected by competition of like foreign products in domestic markets which have been subject to tariff reductions negotiated under the Reciprocal Trade Act.

Appreciating the consideration which you have given to agricultural problems in the past, I am

Sincerely yours,

JOHN H. DAVIS, *Executive Secretary.*

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NATIONAL WOMEN'S TRADE UNION LEAGUE OF AMERICA,  
Washington 1, D. C., June 3, 1948.

HON. EUGENE MILLIKIN,  
Chairman, Senate Committee on Finance,  
Senate Office Building, Washington 25, D. C.

DEAR SENATOR MILLIKIN: The National Women's Trade Union League strongly urges adoption of House Joint Resolution 335, which would extend the present Reciprocal Trade Agreements Act, without amendment, for a period of 3 years from June 12, 1948. We believe that the machinery developed over the years for administering the act is exceptionally good and does not need to be changed. We further believe that the specific changes provided for in H. R. 6556 are harmful and would practically nullify the effectiveness of the reciprocal trade agreements program. We therefore oppose H. R. 6556.

Our organization has actively supported the trade-agreements program since January 1938 and our membership, therefore, has had 10 years in which to watch the administration of the program and form a judgment as to its value. The conclusions they have reached are shown by the following actions: Early last year when hearings were held by the State Department in various parts of the country on the proposed charter for the International Trade Organization, league members in four widely scattered cities besides Washington offered to testify for the league in behalf of the trade-agreements program and the ITO charter. And in May 1947, delegates to the triennial convention of the league unanimously adopted a resolution reaffirming support of the reciprocal trade agreements program. A copy of this resolution is attached.

We should like to discuss briefly some of the provisions of H. R. 6556. In the first place, renewal for 1 year only, as provided in the bill, creates the impression that the United States does not intend to continue its leadership in the field of eliminating barriers to world trade, a leadership which we have maintained since 1934. The liberal trade policy consistently advocated by us since that time reached its peak with the conclusion at Geneva last fall of the general agreement on tariffs and trade, and with the signing of the World Trade Charter by 55 nations at Habana this spring. To retreat from this policy now would be utterly inconsistent and confusing. Furthermore, renewal for only 1 year casts uncertainty on what will happen at the end of that year, and on just what the United States meant by its commitments assumed under the Economic Cooperation Act recently passed by an overwhelming majority in both the House and the Senate.

Removal of the Tariff Commission from the deliberations of the Interdepartmental Committee and setting it apart as a purely informational source (sec. 3 (a)), constitutes, in our opinion, a backward step in the administration of the act. The present procedure, which calls for participation by the Departments of State, Commerce, Agriculture, Labor, Treasury, National Defense, and the Tariff Commission at all stages in the preparation of a trade agreement is sound and has proved to be a thoroughly democratic way of protecting the many conflicting interests of the American public.

The most serious defect of H. R. 6556, however, is contained in section 2, which in effect nullifies the entire trade agreements program. This section provides that the Tariff Commission shall report to the President, before any trade agreement is entered into, as to what—if any—concessions they think can be made on each and every article under consideration "without causing or threatening serious injury to domestic producers of like or similar articles or impairing the national defense." Under the present act, an "escape clause" has been included in the more recent agreements, to provide a remedy in case any particular concession shall, in actual practice, "cause or threaten serious injury" to a domestic

industry. This is a practical and reasonable safeguard, but to require the Tariff Commission to guess in advance as to whether any given concession will cause or threaten serious hardship to a domestic industry is to put a premium on caution and to ensure that no real progress will be made in lowering barriers by the method of mutual concessions.

Section 4 allows the President to recommend concessions beyond the limits of Tariff Commission findings, but requires that if he does recommend a change on even one item in any agreement, the entire agreement must be submitted to Congress for 60 days, at the end of which it will take effect if meanwhile "there has not been passed by the two Houses a concurrent resolution stating in substance that the Congress does not favor the foreign trade agreement" This would obviously cause delay, and would probably take us back to the old method of log-rolling which was in effect before the enactment of the trade agreements program.

To sum up: Since the present machinery for administering the act has worked well for 14 years, and since there is provision for correcting a demonstrated hardship on a domestic industry, there is no reason for changing the act at this time. On the contrary, there is positive reason for not adopting H. R. 6556, whose provisions would greatly hamper any real progress toward world economic stability. We therefore urge the extension of the present Reciprocal Trade Agreements Act, without amendment, for 3 years, and ask that this letter be included in the record of the hearings before your committee.

Respectfully yours,

ELISABETH CHRISTMAN,  
*Secretary-Treasurer.*  
MARGARET F. STONE,  
*Chairman of Legislation.*

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RESOLUTION ON RECIPROCAL TRADE AGREEMENTS PROGRAM AND THE CHARTER OF THE ITO UNANIMOUSLY ADOPTED AT THE THIRTEENTH CONVENTION OF THE NATIONAL WOMEN'S TRADE UNION LEAGUE, MAY 19-22, 1947

Whereas a free flow of international trade is the prerequisite for any approximation to full employment and hence to decent living standards throughout the world; and

Whereas the United States has taken the leadership in promoting international economic cooperation, first with the Reciprocal Trade Agreements Program and then with Proposals for an International Trade Organization: Therefore be it

*Resolved*, That the National Women's Trade Union League in convention assembled reaffirm its support of the reciprocal trade agreements program and of the proposed Charter of the International Trade Organization.

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STATEMENT SUBMITTED BY RAYMOND RUBICAM, CHAIRMAN OF THE RESEARCH AND POLICY COMMITTEE FOR ECONOMIC DEVELOPMENT

The research and policy committee of the Committee for Economic Development<sup>1</sup> is on record with respect to the need for vigorous expansion of world commerce, and the importance of the Reciprocal Trade Agreement Act in furthering such expansion. CED welcomes the opportunity afforded by your committee to reaffirm its position and to submit a statement supporting the extension of the Reciprocal Trade Agreement Act without weakening amendments for a period of 3 years.

Our position on this matter was set forth in 1945 in the CED policy statement, "International Trade, Foreign Investment and Domestic Employment." The views there expressed were presented in testimony before your committee on June 1, 1945. More recently our committee's position was restated in general terms in its policy statement, "An American Program of European Economic

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<sup>1</sup> The Committee for Economic Development is an organization of businessmen formed to study and report on the problems of achieving and maintaining high and secure standards of living for people in all walks of life through maximum employment and high productivity within a free economy. Its research and policy committee issues from time to time statements of national policy concerning recommendations for action which, in the committee's judgment, will contribute to maintaining productive employment and high living standards. A list of the members of the CED research and policy committee is attached.

Cooperation," issued in February 1948. We shall be pleased to supply the members of your committee with copies of both statements.

In its earlier statement our committee emphasized that one goal of American policy should be the increase of peaceful trade among the peoples of the world. The peace and prosperity of all nations will be advanced by the increasing development of world trade. The interchange of goods, international travel and communications between people can make for better world understanding.

Restrictions to world trade prevent free flow of goods, services, and capital from where they are available to where they are needed. This obstruction prevents efficiency in the use of the world's human and material resources and is an obstacle to a higher living standard. Trade is a two-way street. In the end, exports must be paid for by imports, if they are to be paid for at all.

The United States has a major interest in the expansion of world commerce. We are a powerful industrial Nation. We need vast quantities of goods and services of many kinds. We can exchange the things we produce with the people of other countries, who, themselves, produce other things available for trade—other things better or cheaper or different than we can or want to produce. A restrictive course by America toward foreign trade is contrary to American interest.

In the light of these considerations, our committee recommended, "The United States should take the lead in its own interest in a program to bring about a great reduction in the artificial barriers to trade between nations, whether they take the form of tariffs, import quotas, restrictive exchange practices, or restrictive business agreements."

Specifically with regard to the subject matter before your committee CED recommended that "The protective tariff of the United States should be lowered. To this end:

(1) The Reciprocal Trade Agreement Act should be renewed and strengthened . . .

(2) Negotiations under the act should be pressed vigorously so as to bring about substantial rate reductions."

Our committee continued: "We feel that a prompt reduction in the American tariff barrier is of the utmost importance, as crucial evidence that the American people are prepared to take practical steps needed to heal a devastated world, attain high and profitable employment, and erase the economic obstacles to political peace. There is need to undo the Hawley-Smoot Act of 1930 and to go much further progressively toward a freer movement of trade. Nothing less than the extension of the power under the act to allow a negotiated reduction up to 50 percent from the 1945 rate in exchange for foreign concessions will give sufficient latitude to allow further substantial reduction in this barrier to trade." . . . "The advantage in the reciprocal treaty arrangement is that our reductions can serve as a lever for bringing about corresponding reductions elsewhere, to our advantage and the world's. We strongly favor continuing to lodge the authority for negotiating reduction where it now lies, as the only way to avoid objectionable past practices. We hope that the Congress will act promptly in reviewing and strengthening the Reciprocal Trade Agreement Act." . . .

The need for expansion of world trade has not lessened since 1945. On the contrary, it has increased. We have recognized that the existence of free and efficient nations is important to use. One way to help the survival and development of free and efficient nations is by taking the lead in the establishment of a freer trading world. The free nations will not be efficient unless each can sell to others the things it produces most efficiently and receive in exchange the things produced most efficiently by others. Neither can free enterprise thrive in the world if trade restrictions force international commerce into the narrow groove of state-controlled deals. Progress in reducing tariff barriers has been made by this country, but more is necessary. The recommendation made earlier by our committee applies with even greater force to the situation today.

In its policy statement concerning the European Recovery Program, issued February 1948, our committee emphasized the importance of reduced tariff and other barriers to trade, both as a means of increasing living standards and as a way to make possible the repayment of loans made by this country. We point out that "Loans, when they are truly loans, must some day be repaid, principal and interest, in goods and services. In part, a country's ability to make such payment is an internal matter of finance and production; in part, it depends on the creditor country's willingness to receive payment, directly or indirectly. The recent tariff reductions negotiated at Geneva (under the Reciprocal Trade

Agreement Act) should make repayment easier. Other ways should be sought to stimulate American imports, as, for example, by stimulating the production of specified raw materials in short supply for acquisition by the United States. Such stimulation will be particularly beneficial to ourselves at the present time when the domestic demand for goods is running ahead of supply."

In the light of the foregoing, it should be clear that our committee strongly urges the extension of the present Reciprocal Trade Agreements Act. The act should be extended promptly, without weakening amendments, and should be for a 3-year term. Extension of the act should be followed by a vigorous policy of negotiation to bring about substantial rate reductions in other countries, in exchange for further rate reductions here.

The policy recommended is in our own national interest. It will contribute to improvement in our standard of living at home. It will tend to reduce the drain upon our resources by assisting other countries to rehabilitate themselves. It will increase our opportunity to secure repayment of loans made abroad, thus lessening the burden on the American taxpayers. By contributing to greater prosperity and higher living standards abroad, it will strengthen the causes of freedom and peace.

#### CED RESEARCH AND POLICY COMMITTEE

- Raymond Rubicam (chairman), New York, N. Y.  
 Chester C. Davis (vice chairman), president, Federal Reserve Bank of St. Louis, St. Louis, Mo.  
 William Benton, chairman of the board, Encyclopedia Britannica, Inc., and Muzak Corp., New York, N. Y.  
 John D. Biggers, president, Libbey-Owens-Ford Glass Co., Toledo, Ohio.  
 James F. Brownlee, Fairfield, Conn.  
 Gardner Cowles, president and publisher, Des Moines Register and Tribune, Des Moines, Iowa.  
 Donald K. David, dean, Graduate School of Business Administration, Harvard University, Boston, Mass.  
 Marion B. Folsom, treasurer, Eastman Kodak Co., Rochester, N. Y.  
 Clarence Francis, chairman of the board, General Foods Corp., New York, N. Y.  
 George L. Harrison, president, New York Life Insurance Co., New York, N. Y.  
 Robert Heller, president, Robert Heller & Associates, Inc., Cleveland, Ohio.  
 Jay C. Hermel, chairman of the board, Geo. A. Hermel & Co., Austin, Minn.  
 Eric A. Johnston, president, Motion Picture Association of America, Inc., Washington, D. C.  
 Ernest Kanzler, chairman of the board, Universal C. I. T. Credit Corp., Detroit, Mich.  
 Fred Lazarus, Jr., president, Federated Department Stores, Inc., Cincinnati, Ohio.  
 Fowler McCormick, chairman of the board, International Harvester Co., Chicago, Ill.  
 Philip D. Reed, chairman of the board, General Electric Co., New York, N. Y.  
 Beardsley Ruml, chairman of the board, R. H. Macy & Co., Inc., New York, N. Y.  
 Harry Scherman, president, Book-of-the-Month Club, New York, N. Y.  
 J. Cameron Thomson, president, Northwest Bancorporation, Minneapolis, Minn.  
 W. Walter Williams, president, Continental, Inc., Seattle, Wash.

COLORADO SPRINGS, COLO., June 3, 1948.

SHERWOOD B. STANLEY,  
*Clerk, Senate Finance Committee,*  
*Washington, D. C.:*

Retel 1st. We are indeed sorry we will be unable to have representative attend hearing. However, would appreciate greatly your reading the following into the record: "It is the opinion of this association that the bean industry of the United States is rapidly moving from a period of scarcity to a period of overproduction which will be even more serious than the excess production of the prewar years. We firmly believe that if the present policy of reciprocal trade as regards dried beans is continued that it will be disastrous to the bean industry of the United States. With the present program we understand that under the reciprocal agreement the tariff on dried beans will be cut from 3 cents per pound to 1½ cents per pound. Even under the present tariff large quantities of foreign beans are being imported. With a 1½-cent-per-pound tariff, pro-



gressively large quantities will be imported. Also, it is our feeling that before too long the Department of Agriculture will be called upon to support prices to the grower of dried beans in this country. Under lower tariffs we can readily visualize a situation of the United States Government supporting the price to growers thereby acquiring large quantities of American beans for which there will be no use and at the same time foreign beans being imported and flooding domestic markets. Therefore, we urge you to exclude beans from any extension of the reciprocal trade agreement."

FRED SIMPSON, Jr.,

*President, Rocky Mountain Bean Dealers Association.*

STATEMENT BY UNITED STATES CUBAN SUGAR COUNCIL, NEW YORK, N. Y.

RECOMMENDATION SUPPORTING EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

The United States Cuban Sugar Council recommends extension of the Reciprocal Trade Agreements Act for at least 3 years and in its present form because in the Council's opinion the agreement between the United States and Cuba has contributed substantially to the furthering of a closer trade relationship between the two countries and affords a convincing example of the value of the reciprocal trade program.

The Council is composed of a group of companies which own or operate sugar-producing properties in Cuba, stockholders of which are predominantly United States citizens. These companies annually account for about half the total sugar output in Cuba. Names of the companies are listed at the end hereof.

BOTH UNITED STATES AND CUBA HAVE BENEFITED FROM TRADE AGREEMENT

The agreement between the United States and Cuba, first to be signed after the Reciprocal Trade Agreements Act became effective in 1934, has demonstrated the benefits to both countries accruing under the program:

1. United States exports to Cuba, on an average annual dollar basis, have more than tripled since the agreement was signed. As compared with 1930-33, when the Smoot-Hawley tariff was in effect, United States exports to Cuba rose by 63 percent in 1934-41, when the Reciprocal Trade Agreements Act was in effect, but while sugar shipments from Cuba were severely restricted by United States quota legislation; and increased by 378 percent in 1942-47 when the Reciprocal Trade Agreements Act was in effect but without such quantitative restrictions. The proportion of total imports which Cuba has purchased from the United States increased from 56 percent in 1930-33 to 71 percent in 1934-41, and 81 percent in 1942-47, reaching 84 percent in 1947. The average annual value of United States exports to Cuba increased from \$48,000,000 in 1930-33 to \$79,000,000 in 1934-41, and to \$232,000,000 in 1942-47. United States exports to Cuba in 1947 amounted to \$492,000,000.

2. United States sales to Cuba of certain specific commodities increased even more substantially. Under the trade agreement between the United States and Cuba, for example, Cuba has become the best customer for rice grown here, purchasing 78 percent of this country's total rice exports in 1947, or almost one-third of the entire United States rice crop. The value of United States rice exports to Cuba increased from an annual average of \$136,000 in 1930-33 to more than \$5,000,000 in 1934-41, and to more than \$30,000,000 in 1942-47. The value of average annual exports of machinery and vehicles by the United States to Cuba advanced from about \$5,000,000 a year in 1930-33 to about \$11,000,000 in 1934-41, and to nearly \$32,000,000 in 1942-47. Exports of United States cotton manufactures to Cuba rose from an annual average of \$6,000,000 in 1930-33 to about \$8,000,000 in 1934-41, and \$15,000,000 in 1942-47. Exports of wheat flour from the United States to Cuba increased from an annual average of about \$4,000,000 in 1930-33 to almost \$5,000,000 in 1934-41, and to approximately \$13,000,000 in 1942-47. United States lard sales to Cuba mounted from an annual average of about \$3,000,000 in 1930-33 to nearly \$4,000,000 in 1934-41, and to about \$12,500,000 in 1942-47. These increases in United States exports to Cuba benefitted nearly every segment of the United States economy and nearly every region in this country. The gains in rice exports were of particular importance to Louisiana, Arkansas, Texas, and California; the increases in exports of machinery and vehicles to such heavily industrialized States as New York, Pennsylvania, New Jersey, Ohio, Illinois, and Michigan; in cotton manu-

factures to textile manufacturing States such as North and South Carolina, Georgia, Alabama, Virginia, Tennessee, Texas, Massachusetts, and Connecticut; in wheat flour to Kansas, Nebraska, Oklahoma, Minnesota, Illinois, New York, and other States; in lard to the corn-hog producing States of Iowa, Illinois, Indiana, Missouri, Minnesota, Ohio, and others.

3. The average annual value of imports into the United States from Cuba increased by 45 percent from 1930-33 to 1934-41 even though sugar, which accounted for about three-fourths of the imports, was restricted by the United States quota laws. Imports in 1942-47, with no sugar quota restrictions in effect, rose 308 percent above the 1930-33 average. Sugar produced in Cuba was the major factor in preventing actual sugar famine in the United States during the war years and in the removal of sugar rationing in this country in 1947.

4. The economies of both the United States and Cuba were strengthened by the increased volume of trade under the agreement. Consumers and producers in both countries benefited.

#### CONCLUSION

The Council believes that these increases in trade between the United States and Cuba convincingly demonstrate the advantage accruing from the reciprocal trade program.

The agreement between the United States and Cuba has been followed by substantial increases in the dollar volume of this country's major exports to Cuba from which United States farmers and manufacturers have materially benefited.

Lowering of trade barriers has been a necessary part of the program needed to assure adequate supplies of sugar for United States consumers.

The trade agreement between the United States and Cuba produced its greatest benefits to both countries during the period 1942-47 when trade flowed freely without the quantitative limitations that were imposed by the United States in the period 1934-41.

The Council believes, therefore, the Reciprocal Trade Agreements Act should be continued in operation indefinitely.

Respectfully submitted,

UNITED STATES CUBAN SUGAR COUNCIL,  
By DAVID M. KEISER, *Chairman*.

#### MEMBERS OF THE COUNCIL

Caribbean Sugar Co.	Punta Alegre Sugar Corp.
Central Hormiguero Sugar Co.	Tanamo Sugar Co.
Central Violeta Sugar Co.	The American Sugar Refining Co.
Compania Cubana	The Cuban-American Sugar Co.
Cuban Atlantic Sugar Co.	The Francisco Sugar Co.
Guantanamo Sugar Co.	Tuinucu Sugar Co.
Manati Sugar Co.	United Fruit Co.
New Niquero Sugar Co.	Vertientes-Camaguey Sugar Co.

#### STATEMENT BY THE WOMEN'S ACTION COMMITTEE FOR LASTING PEACE IN SUPPORT OF EXTENSION OF THE TRADE AGREEMENTS ACT

The Women's Action Committee for Lasting Peace has given continuous support to the trade agreements program and other efforts of our Government to lower the barriers to world trade on a reciprocal basis. Our organization now urges that Congress take prompt action to renew the Trade Agreements Act in its present form for at least another 3 years.

The Women's Action Committee for Lasting Peace is affiliated with 14 national women's organizations with official representation from each of these organizations on its national board of directors. The Women's Action Committee itself is composed of many thousand individual members under the leadership of State and congressional district chairmen.

Our interest in the Trade Agreements Act stems from two sources: (1) our need as consumers for a wide variety of goods at reasonable prices, and (2) our desire as United States citizens to encourage world peace and prosperity.

(1) First we wish to present our personal problem as consumers. The members of the Women's Action Committee for Lasting Peace have a definite stake in the Trade Agreements Act as a bulwark against an uneconomical tariff policy. The secret of United States prosperity is large-scale, low-cost production. The larger our markets, both domestic and foreign, the less will be the cost per unit of production. We as American consumers, gain purchasing power through the efficient development of our export industries.

On the other side of the ledger, there is the question of imports. This country cannot expect to sustain its export trade unless it is also ready to import. Moreover, American consumers are used to a wide variety of goods, many of which can best be purchased from other lands. When, as a result of logrolling or special interest pressure, tariffs are raised, it is the consumer who pays. The consumer must either pay high prices for the made-in-America goods of a small, protected domestic industry or she must pay high prices to cover the tariff on imported goods. We protest!

(2) As women who are intensely interested in international affairs, we realize that the prosperity of the United States, with its free-enterprise system and its huge productive capacity, is closely linked with world prosperity. This country must be able to export a good percentage of its production. But unless the rest of the world is prosperous the country cannot rely on a steady flow of trade. Unless we continue to take the leadership in a liberal trade policy, other nations, less fortunate than we, will increase rather than lessen their current obstructive trade practices. If this country were to return to a high-tariff policy, other nations would be forced to discriminate against our trade as they did after the Smoot-Hawley Tariff Act.

This country has made steady progress since the Trade Agreements Act was first passed in negotiating tariff reductions with other countries which have been to our mutual advantage. Notable among these was the multilateral agreement signed at Geneva last October. It is hoped that further progress will be made under the charter of the International Trade Organization. If the fruitful process of reciprocal negotiation is to continue Congress must continue to delegate to the Executive the authority to negotiate tariff rates.

In this hour of world crisis it is particularly important that the United States strengthen its gigantic foreign-aid program by a liberal trade policy. Permanent world recovery cannot be achieved without an expanding world economy. Our own free-enterprise system is vitally dependent on an expanding trade with free and prosperous nations, in a peaceful world.

We wish to call your attention to the appended resolution unanimously adopted at our 1948 annual convention by delegates from State and local groups throughout the country.

The Women's Action Committee for Lasting Peace has as affiliates 14 national women's organizations with official representation from each of these organizations on its national board of directors. The Women's Action Committee itself is composed of many thousands of members under the leadership of State and congressional district chairmen.

The Women's Action Committee for Lasting Peace considers it of the utmost importance that the trade agreements program be continued in a workable form and for a reasonable length of time. As consumers, our members want a wide variety of goods at low prices. They realize the effect of high tariffs both on the cost and on the availability of goods. As women who are deeply interested in international affairs, we realize that the prosperity of the United States is closely linked with world prosperity.

The extension of the Trade Agreements Act for only 1 year would mean a virtual suspension of the program, as the long process of study and negotiations takes many months. Our Government would have difficulty negotiating agreements with other countries under pressure of doubt as to whether it could meet the year's dead line on its authority to accept this agreement. It is important that this country be free to negotiate with a view to bringing other countries into the general agreements on tariffs and trade signed by 23 countries in Geneva last autumn. Moreover, several of the Western European countries do not as yet have trade agreements with us. It is vital for the effective development of ERP that we reach agreements with these countries.

A particularly unfortunate provision of the Gearhart bill (H. R. 6556) is that which segregates the Tariff Commission from the Interdepartmental Committee on Trade Agreements where it has been represented during the past 14 years along with other interested departments. H. R. 6556 creates a cleavage in the

development of our tariff policy which cannot be reconciled anywhere within the executive branch of our Government. The provisions of this bill are such that not even the President can bridge the gap. If a trade agreement goes beyond certain limits (not the limits set by Congress in the Trade Agreements Act, but limits set by the Tariff Commission) the President and the Tariff Commission must present their differences for a decision by Congress. This is poor Government practice in any field.

Not only is the Tariff Commission segregated from the interdepartmental committee, but it is given a different set of criteria on which to form its judgments. The bill provides that while the interdepartmental committee forms its judgments on a broad basis of common interests after an analysis of effect of tariff rates on foreign policy, commerce, labor, agriculture, and the consumer, the Tariff Commission must form its judgments solely on the basis of the interests of the producer coupled with considerations of national security. (Just why the Tariff Commission rather than the Department of Defense, which is represented on the interdepartmental committee, should be chosen to decide on the security aspects of our tariff policy is difficult to understand.)

The Women's Action Committee for Lasting Peace urges that the Senate Finance Committee, taking these and other points into consideration, will either recommend drastic changes in the bill as passed by the House, or better still, recommend a straightforward extension of the present Trade Agreements Act without amendments for at least 3 years.

Senator BUTLER. The committee will stand in recess until 9:30 tomorrow morning.

(Whereupon, at 1:25 p. m., the committee recessed until Friday, June 4, 1948, at 9:30 a. m.)

## EXTENDING AUTHORITY TO NEGOTIATE TRADE AGREEMENTS

FRIDAY, JUNE 4, 1948

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 9:30 a. m., in room 312, Senate Office Building, Senator Eugene D. Millikin (chairman) presiding.

Present: Senators Millikin (chairman), Butler, Martin, George, and Connally.

The CHAIRMAN. The hearing will come to order.

Mr. Dorfman, will you come forward, please?

Is Congressman Javitts here? Would you mind waiting just one second, Congressman?

### STATEMENT OF BEN DORFMAN, CHIEF ECONOMIST, TARIFF COMMISSION, WASHINGTON, D. C.

The CHAIRMAN. The Chairman has a letter from Oscar B. Ryder, Chairman of the United States Tariff Commission, dated June 3, 1948, as follows:

DEAR SENATOR MILLIKIN: At the hearing before the Senate Finance Committee on June 3 you requested Mr. Ben Dorfman, chief economist of the Tariff Commission, to obtain information concerning the content of the confidential statements (the blue slips) which accompanied the digests prepared by the Tariff Commission and which were intended for the use of the Trade Agreements Committee in preparation for the negotiation of the General Agreement on Tariffs and Trade at Geneva in 1947.

These confidential statements were prepared by various experts of the Tariff Commission and were reviewed by one or more of the Commissioners. The Commission as such, however, did not pass upon the material. None of the statements established "peril points." They were usually confined to discussions of the probable effects of maximum duty reductions on the volume of imports and were couched in very general terms.

The information contained in the "blue slips" was not made public. To have done so would have given the negotiators for foreign countries the benefit of opinions of United States experts on the probable impact of concessions which the United States had under consideration. I may add that these confidential statements were prepared before the public hearings on the Geneva agreement, and the views expressed in some of them have been modified by the information obtained at those hearings.

I trust that the above information answers the questions which you had in mind.

Mr. Dorfman, are there any reasons now that occur to you why those so-called "blue slips" which I understand were not blue in color, could not be made public?

Mr. DORFMAN. I think the Commission might take the view that the information contained on these so-called "blue slips" did not necessarily represent the views of the Commission as such at that time. Moreover, the information contained on those blue slips was supplemented and modified subsequently—

The CHAIRMAN. Mr. Clayton, would you be more comfortable if you came up here, or do you want to maintain your isolationism back there?

Mr. WILLIAM L. CLAYTON (Special Adviser to the Secretary of State). Thank you very much, Mr. Chairman; but I believe I would prefer to sit here with the State Department people.

Mr. DORFMAN. The statements on those slips were subsequently modified verbally by Tariff Commission people who served on the Trade Agreements Committee, the various country committees and the negotiating teams themselves in Geneva. So the views expressed in those confidential statements were in many instances modified before any action based on them was taken.

Another reason that occurs to me for not making the blue slips public is that the information would still be useful to foreign countries. Many of them have not yet put the Geneva agreement into effect. Moreover, in years to come, there might be some advantage to foreign negotiators in knowing what these statements of United States experts were.

The CHAIRMAN. Just offhand, tentatively, I think there might be much to what you say; but also there could be no possible objection to this committee's having those slips for its own perusal. Would there be?

Mr. DORFMAN. I cannot speak for the Commission. However, I don't know of any reason why the Finance Committee in confidence might not examine them, unless the Tariff Commission were committed in some way which I do not know.

The CHAIRMAN. Just let me say that as a matter of law, we have a complete right to obtain information on anything that the Tariff Commission or any of its employees do. I am merely questioning into the punctilio of it. I am not for a moment questioning whether we have a right to that information. The point is, I would not want information if there were some over-riding public welfare reason why I should not have it.

As far as the Tariff Commission is concerned, I reiterate that we have, under the law, under the express terms of the law, a complete right to any information that the Tariff Commission or any of its employees may have.

I want to get a little sharper focus on the contents of those blue slips or whatever form the particular papers may have taken. I notice this expression in the letter: "They were usually confined to discussions of the probable effects of maximum duty reductions on the volume of the imports and were couched in very general terms."

Might not such a paper by virtue of containing that information give warning as to a peril point?

Mr. DORFMAN. At most it would be a very rough first approximation of such a peril point.

The CHAIRMAN. Let us assume that that is correct, would not the purpose of it be to give some sort of notice that if you make this maxi-

mum cut, you either will or will not imperil some particular industry?

Mr. DORFMAN. I examined about a dozen of these sheets last night, and the impression I got, going over them, was that the authors attempted not so much to ascertain the impact on domestic industry as to give a rough estimate of the likely change in import trade that would result from making the maximum permissible reduction in duty.

The CHAIRMAN. Is that not precisely what it does; it either makes the peril clear or assures you that there is no peril?

Mr. DORFMAN. It might well be that the item under review was one which had no competition at all in the United States.

The CHAIRMAN. But I say if it is a competitive item, is not the quantity of competition which imports would produce really the key question as to whether there is peril to a domestic industry?

Mr. DORFMAN. In many instances, yes.

The CHAIRMAN. So that in many instances the purport of the document would be exactly that.

Mr. DORFMAN. Yes, sir; but there are also many instances in which the result of a reduction in the duty might be not to change the volume of imports, but rather to affect the price at which they are sold. The imports, therefore, without any change in their volume, could have a very serious effect on domestic industry.

The CHAIRMAN. So there again, even in the category which you reserve you would be giving information on what would be a peril point, because price, of course, is the determining feature of a peril or the nonexistence of a peril.

Mr. DORFMAN. Price and volume.

The CHAIRMAN. Price and volume. But you have stated there is a category of cases where the volume would not be the important factor.

Mr. DORFMAN. That is right.

The CHAIRMAN. But that price might be.

Mr. DORFMAN. That is true.

The CHAIRMAN. In other words, a domestic industry, it could have its throat cut by a price impact independent of a volume impact. It can get its throat cut by a volume impact perhaps independent of price, and it can get its throat cut by both volume and price. Is that correct?

Mr. DORFMAN. That is correct.

The CHAIRMAN. So these slips would give, let us say, warning along those lines.

Mr. DORFMAN. They would give information that would be essential to gather in arriving at peril points.

The CHAIRMAN. That was the purpose, was it not?

Mr. DORFMAN. I cannot say. In examining the papers—

The CHAIRMAN. If you assume that is not the purpose, then they are a sheer and senseless gratuity. Why would a man be going through this confidential hocus-pocus if it did not serve that end-point?

Mr. DORFMAN. It may have served that end-point for the negotiators, but I think the authors of these papers were primarily concerned with making a rough estimate of the likely change in the volume of imports that would result from a maximum reduction in duty.

The CHAIRMAN. It is not necessary for me to refute that to preserve the end-point which I am making, that the information obtained in those slips would come to the same general effect of the information

which the Tariff Commission would be handing the President under the proposed bill?

Mr. DORFMAN. I should not quarrel with that view, sir.

The CHAIRMAN. Thank you very much.

Mr. DORFMAN. Thank you.

The CHAIRMAN. Congressman Javits, will you take the stand, please?

We are glad to have you here. Make yourself comfortable and identify yourself to the reporter, please.

#### STATEMENT OF HON. JACOB K. JAVITS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Representative JAVITS. I am Jacob K. Javits, Representative in Congress from the Twenty-first Congressional District of New York.

I appear this morning before the committee in the interest of a straight extension of the Reciprocal Trade Agreements Act.

Mr. Chairman, I appreciate very much the opportunity to appear here. I understand the time limitations of the committee and will confine myself strictly to an over-all statement, at the most, of ten minutes.

May I say, too, that I appear with all humility, because in the course of such modest efforts as I made on the International Trade Organization charter I learned the legendary knowledge which the distinguished Senator from the Colorado has on this subject.

The CHAIRMAN. It is entirely legendary.

Representative JAVITS. I use the term in the sense of a vast knowledge, if the Senator will forgive me.

The CHAIRMAN. It is legendary and entirely apocryphal.

Representative JAVITS. Those who worked on it do not think so. They think you really know it thoroughly.

My interest in appearing is primarily dictated by my concern with the foreign affairs of the United States. I am a member of the House Foreign Affairs Committee, and have been rather diligently, I hope usefully, engaged in the various activities which come under the heading of the bipartisan foreign policy of the United States, particularly in the case of the European recovery program which it appears to me from reading of the act and from our testimony with respect to the act, from the considerations which went into the United States estimates of the likelihood of its success, to be premised very materially upon the very matter with which this committee is dealing now.

I would like to note for the committee—I am sure the committee's experts have already called it to their attention—the particular sections of the European recovery program which are premised upon the commitment on the part of the United States that it took, because it too is a participating nation with the 16 European nations. That is what is meant by mutual self-help, that we too will participate.

We asked them to reduce their tariff barriers and facilitate international trade. I think that goes for us, too, and we have made rather solemn and important commitments on that score in that bill.

The question then arises whether by the section which is before this committee for extension, we are disabling ourselves from the spirit as well as the letter of going forward with the commitments we our-



selves have undertaken in the European Recovery Administration legislation.

I might point in that respect to the statement of purpose which is contained in section 102 (b) and to the commitments which we ask in the multilateral agreements or bilateral agreements with the participating countries contained in sections 115 (a), subsection 3. Also it is noted that the Bogota conference came to the same point with respect to the mutual reduction of tariff barriers to international trade, and, of course, this committee and particularly its chairman, is well aware of the obligations undertaken in the International Trade Organization Charter, which, of course, has not yet had congressional sanction, but which still represents a very solemn agreement which we are going to be called on to consider and approve if we choose to.

As to the merits of the legislation before the committee, I would like to say that in the House I acted on my convictions in this regard and felt constrained to vote in favor of a motion to recommit and I might point out to the committee that 18 other members of my own party felt the same way. Though I voted for the bill in the final analysis, because I feel that was the path of responsibility.

The CHAIRMAN. What is your district, Congressman?

Representative JAVITS. Northern Manhattan Island. I might say to the Senator that one of my most distinguished constituents is General Eisenhower.

The CHAIRMAN. You are collecting some fine personalities.

Representative JAVITS. It is just to identify that I have Columbia University in my district.

As to the legislation itself and why I acted as I did and why I believe these other colleagues of mine acted as they did, I think the focal point is this question of reference back to the Congress. The key point in this legislation, as I see it, is the point of reference back to the Congress and the new machinery which is created vis-a-vis the tariff commission.

It struck me, and I acted out of conviction, that that particular provision, that particular bit of machinery, again shifts the emphasis of the reciprocal trade agreements program from reciprocity or using it as an element in our foreign affairs and our broad foreign economic policy to protectionism, and for this reason: The Tariff Commission has a legal formula by which it is required to operate and that formula says if it finds in advance that a proposed tariff reduction will cause or threaten serious injury to domestic producers of like or similar articles, then the agreement is to be referred to the Congress for congressional veto. There is a formula, according to the Executive order now which guides—

The CHAIRMAN. If the President disregards it.

Representative JAVITS. If he disregards it, exactly. The formula which is now contained in the Executive order is a post rather than a preformula. That formula is that you take a calculated risk when you make the agreement. The Tariff Commission sits in negotiation and you may affect a domestic industry. After all, some eggs must be broken when you are dealing with a problem of this kind. We all know that as businessmen. You take a calculated risk in advance. The difference as I see it, is that when you place the matter in the

hands of the Tariff Commission in that fashion, provide for the congressional veto, you are definitely giving the Tariff Commission a mandate to emphasize protection as against the existing mandate which emphasizes reciprocity.

I would like to call the committee's attention in the few minutes that I have remaining to an economic development in the country which is not new, but which I think needs to be noted in this connection because I think it has a very great bearing. I think it is fair to say that a high tariff policy, a traditional high-tariff policy going back into the last century and the first part of this century, was premised upon the conviction that it was needed for effective and vigorous private economy. It was not just an abstract formula. There was a real conviction that in the days when our industries were very small it was necessary to enable productive enterprise in various fields to get out of their swaddling clothes in order to do ultimately an adequate economic job. So protection was justified, not as an end but as a means.

But today, when the United States is the greatest exporter of goods in the world, when the whole world hungers for our goods, when our costs of production and principal exports like machine tools and automobiles enables us to undersell foreign competition, and when our tobacco, cotton, and wheat are in great demand due to shortages in the world's short markets, we must reconsider our whole position, and I think the reciprocal trade agreements legislation represents a reconsideration of our whole position.

I think there is likely still to be room for tariff protection on some items, which indeed we have, but that our great productive power and our need for export markets ourselves must turn our emphasis toward trade rather than protection.

Then the second point, which I think is important, is this: We are shipping goods overseas today at the annual rate of \$15,000,000,000 or six times the average of 1936-38. Our gross national production has risen from about \$85,000,000,000 in 1938 to about \$225,000,000,000 currently. Our exports today are running at about 12 percent of our total production. It seems to me, and I am sure the committee is well aware of this fact, but I would like to draw a conclusion from it, that the most significant characteristics of our foreign trade is the high degree of unbalance between our exports and our imports; imports running at the annual rate today of only about \$6,000,000,000.

A fair estimate that I have made myself as a result of some study is that based upon our own annual national product, which we know represents the determinant for imports, we ought to be importing today not \$6,000,000,000 worth of goods but \$9,000,000,000 worth of goods.

The difficulty is that you have had very serious production lags abroad. This seems to me, therefore, that by developing a reciprocal trades policy and continuing the development of the present policy especially at this point, we will be in a position of encouraging rather than discouraging a fair proportion of imports compared to our own production.

The difference between \$6,000,000,000 in imports and \$9,000,000,000 in imports a year, as we talk in terms of money now, may not sound like much, but it is an enormous difference, especially for the western

European countries who are likely to be our principal suppliers. I think that is obvious when you compare it with the cost of the whole European recovery program. The whole European recovery program for western Europe will cost us in the area of \$4,000,000,000 to \$5,000,000,000. That is for the rehabilitation of their whole economy.

The CHAIRMAN. May I make the suggestion that that is only a part of the money necessary for their rehabilitation work. We are counting on them to do the major part of the job.

This is merely auxiliary, and a very constructive auxiliary, to their own interests.

Representative JAVITS. It represents, as we figured it when we argued the European recovery program in the House, about 5 percent of their aggregate economy. They have an aggregate economy of about \$100,000,000,000. My point is, not in absolute terms, but a relatively modest amount of money, \$3,000,000,000 in imports a year makes an enormous amount of difference, and I say that is borne out by the marginal character of their economy.

The CHAIRMAN. If I may suggest it, it also might make an enormous amount of difference in this country. It does not take, as you well know, a very great quantity of imports in a critical market to raise hob with your domestic industry.

Representative JAVITS. That is perfectly true, if the Senator please; at the same time, we have today in our domestic economy some enormous shortages. I am sure the Senator is familiar with the fact that his family has tried to buy some gifts of china, for example, and found deliveries deferred 6 months, and a year or more.

That used to be pretty much a European market.

There was an enormous source of income from that. Considering the standard of living of the people of the United States today, you can have a marginal factor there in materially increasing imports without being a very great damaging factor, without any really serious injury to our domestic economy.

The CHAIRMAN. You might have this to think of: If you encourage European industry for the purpose of supplying our temporary shortages, what is that European industry going to do after those shortages have been satisfied?

Representative JAVITS. Of course, after those shortages have been satisfied, if ever they are, because we have very definitely an ascending economy, especially of consumption, in the United States—but let us assume that it is mechanical and there is a saturation point; then you have the factor of world recovery coming into play, which you do not have today.

The reason we have a 4-year European recovery program is because we are moving toward an area of greater world stability.

I think the Senator may agree that if we should get over this next 5-year hump of world reconstruction and world tension as between the two great powers on earth, we have a real chance for an undeveloped and undreamed-of 50 prosperous years, because we are putting the whole world—at least, we are endeavoring to put the whole world—on a new plateau which is justified by the enormous increase in the actual production of goods.

That is demonstrated by what we have been able to do in the United States.

The CHAIRMAN. So, in long terms you vary between cycles of shortage and cycles of surplus. At the end of the 5-year period you are speaking of, we may very well come into a period of world surplus.

That will afford us as challenging a problem then as it always has in the past. But let us take one thing at a time.

Representative JAVITS. Senator, I would like to address myself to that for an instant, though my time is up and I am now on the Senator's time, by saying this:

Right now we are determining whether at the end of 5 years we shall come into an area of surplus or an area of shortage, because the things we do now to rehabilitate the economy of Europe, to rehabilitate the economy of the rest of the world, will determine standards of living 5 years hence.

I think we could all agree very readily that standards of living in other parts of the world, even without comparison to those of the United States—let us assume that comparison ought not to be made—are certainly far below what they ought to be even for those other parts of the world.

The CHAIRMAN. But paradoxically, you can destroy a standard of living with surplus unless you know how to handle it, just as well as you can with shortage.

Representative JAVITS. That is true. What I am pointing out, really, is that if the credit of the world at the end of that 5-year period is substantially rehabilitated, you run no danger of surplus.

On the contrary, your shortage conditions are very likely to continue for a very considerable time after that.

The CHAIRMAN. Assuming the continuance of a free enterprise system—rather, assuming the advent of a free enterprise system over the world, you are not bound to run into surplus, because that is the direction of that kind of economy.

Unless you can keep your consumption up with your production, you come to a surplus, which can be as devastating as a shortage.

Representative JAVITS. That is true, Senator.

The CHAIRMAN. We have been through that. We know that out of our own experience.

Representative JAVITS. Correct. We also realize that that has been largely, or very substantially, attributable to our own failure to look forward to events which would come and to make some effort to deal with them in advance.

The CHAIRMAN. I do not want to get into that, but that projects you into the conflict of many philosophies as to what should be done in the nature of controlling the economy.

Representative JAVITS. Exactly. The margins here, however, are not so great that you run in this proposition into this very broad, over-all question of trading the treasure plus of goods in the world.

Really, what you are doing in the reciprocal trade agreements program is to try to level out surpluses and definite deficiencies in various areas by making it easier for the water to find its own level, to flow from one place to another.

Really, my own feeling is that this is an extremely useful piece of mechanism for that purpose; but, on the whole, looked at over all,

it has worked well, and therefore at this time when you are about to change administrations—I do not say that invidiously to my friends on the Democratic side—you should not make a radical change in the mechanics which this bill contemplates, and which I think throws the emphasis, according to this bill, very seriously on protection as against the fundamental idea of this program, which is reciprocity.

The CHAIRMAN. I do not think the reciprocity is going to be hurt very much.

Representative JAVITS. That may be, Senator, because we don't contemplate the negotiation of any new agreements, but I do think that it will hurt very seriously the kind of encouragement which we are giving to the whole world, which has almost wrecked itself on these barriers to the free flow of trade.

We are giving them the lead that the United States is itself encouraging that kind of policy. It is going over to that principle. I do not think it is worth it. Is it not just as true on the negative side? If we are not going to do anything in the next year anyhow, then why burden it with this kind of new principle which is here, when it is not necessary? You can argue that way, too.

The CHAIRMAN. On that same theory, why have a reciprocal trade system at all?

Representative JAVITS. But you are going to need it all the time. It just happens that you might be for reasons which are outside the confines of this bill, in an interregnum.

The CHAIRMAN. If we are to retain a reciprocal trade system, it is on the ground of its future benefits. We should put corrections into effect now for the same reason that we would authorize the continuance of the main structure of the system.

Representative JAVITS. I think that is fair, Senator, except I believe the corrections that have been made are unsound—the fundamental correction which we have discussed.

The CHAIRMAN. That is why we are having this hearing.

Representative JAVITS. Thank you so much.

The CHAIRMAN. We are very glad you could come, Congressman.

Representative JAVITS. Thank you very much.

The CHAIRMAN. Mr. Claudius T. Murchison?

Mr. Murchison, will you be comfortable and introduce yourself to the reporter, please?

#### STATEMENT OF CLAUDIUS T. MURCHISON, PRESIDENT, COTTON TEXTILE INSTITUTE, NEW YORK, N. Y.

Mr. MURCHISON. Mr. Chairman and gentlemen of the committee, my name is Claudius T. Murchison, president of the Cotton Textile Institute, whose headquarters are 271 Church Street, New York City.

The proponents of a 3-year extension of the so-called Reciprocal Trade Agreements Act in unamended form make for this act the most extravagant claims, not one of which is valid with respect to actual trade benefits received by the United States.

It is claimed for the act that it has satisfied its major purpose of reducing trade barriers throughout the world. As a matter of fact, the exact reverse has occurred. The modern world has never before been so cluttered with trade barriers of every conceivable type and description.

Not only are such restrictions as import quotas, exchange limitations, import licensing, and outright embargoes in more general use than ever, but actual tariff rates, which the American program has had for its major target, are higher rather than lower.

It is difficult to understand this, because every one of the thousands of concessions which we have given presumably are balanced by equivalent concessions from other countries, and yet for some strange reason we come to the present day with trade barriers higher than when we started.

Hence, it is manifest that the major purpose of the trade-agreements program has met defeat. The State Department claims that the 23 recent Geneva agreements have effected tariff reductions to the extent of about 83 percent of the trade of the participating countries; about 83 percent of the items.

From past experience this would seem to be immaterial from the point of view of all countries except the United States. We would put the lower rates into effect. The other countries will find ways to render the lower rates ineffective through embargoes, exchange restrictions, import licensing, and outright repudiation or other means.

It has been claimed that the trade-agreements program is responsible for the great increase in our exports since 1938. In actual fact, as every student of international economics knows, our exports have grown to colossal proportions to supply the materials of war and to rehabilitate or provide relief to war-devastated nations or nations whose economies have been adversely affected by the war. We ourselves have supplied additional incentive by the extensive use of subsidies and international loans. No one can seriously contend that our great export trade has to any substantial degree been promoted by any action taken under the Reciprocal Trade Act.

It is claimed with equal disregard of the facts that the reciprocal-trade program is our only assurance of an ultimate trade balance. Much is made of the necessity of greater imports in order to provide dollars for the maintenance of exports. The truth is that we have been taking imports without any limitation other than the ability of foreign countries to supply them or in some few cases the inability of our country to find any uses for them, irrespective of price or tariff rate.

There is not a single item of raw material needed in the economy of the United States whose import is being currently restricted by tariff barriers. There is not a single item of foodstuffs or any item in the luxury classifications which cannot be readily purchased by the American people if the American people wish such items and if foreign countries are in a position to supply them.

The circumstances of world economy are such that the present relationship of our exports and imports bears no visible kinship to the reciprocal-trade program.

It is claimed that this program is a great agency of peace. This in face of the most overwhelming fact of modern times that the world is rent by wars and rumors of wars and political instability and international insecurity beyond any degree previously known in recent history. Not only has it failed to strengthen the forces of peace, it has not even succeeded in making any recognizable contribution to the forces of international good will.

It is claimed that the reciprocal-trade program, so-called, is essential to the success of the European recovery program and that we have in fact made commitments with respect to the Economic Cooperation Administration which require the continuance of our reciprocal-trade procedure.

We have, of course, committed ourselves fully both to the principle and the practice of cooperation and no one is opposed to this. But this commitment leans upon a slender reed, indeed, if its realization must be attained through section 350 of our Tariff Act.

The experience of the past 14 years should be convincing evidence that we need to turn to more effective methods than those of political bargaining and international log rolling if true cooperation among the various countries is to be achieved.

This reciprocal-trade program has, however, accomplished at least one thing which is very real and possibly very dangerous, but which has been carefully soft-pedaled by the Department of State. It has reduced by approximately one-half, or to be exact, in using the figures of the Tariff Commission, 47 percent, the average of the tariff rates of the United States.

The extent and breadth of these drastic reductions have been made known to us only within the past few weeks by the disclosures of the Tariff Commission. This information is not known to the public generally. It is doubtful that more than a fraction of 1 percent of the American people have the slightest awareness of this extraordinary demolition of the United States tariff structure.

The chances are they will not awaken to this spectacular accomplishment until they begin losing their jobs 2, 3, or 4 years from now.

Senator MARTIN. Has there been any closing down of small American industries by reason of the removal of the tariff, to your knowledge?

Mr. MURCHISON. Not that I know of, Senator. I am discussing that point in the next paragraph or two here.

At the moment there are no evil effects because at the moment the United States is producing for the rest of the world and the major flow of goods is outward bound—outward bound because the rest of the world does not have the productive power as yet to reverse the trend.

It is wholly irrelevant, therefore, and misleading to the general public to argue that trade agreements are good because they are responsible for our large exports and on the import side have done no injury to the American economy.

The answer to that claim still lies in the future. An economist realist knows full well that the answer may be in the form of a paralyzing shock to American standards of living and to American employment.

So, my feeling is that there has been no period of adequate testing of the reduction in the tariff rates. Our reasoning must be on the basis of logic, on the basis of relationship of economic values which will become apparent in the future.

In the present legislative controversy the appalling truth is that we have cut our tariff rates by almost one-half during a period in which the effects of those reductions could not actually be tested, and yet despite the absence of actual testing a powerful effort is being made to proceed still further with the tariff cutting.

When we set this alarming fact against the contrasting situation abroad, where, as I have said previously, import restrictions are more rigid than ever before, we are forced to the conclusion that the one and only purpose in seeking an unqualified continuance of the reciprocal-trade program is to break down completely the protection of American industry, American agriculture, and American employment.

Senator CONNALLY. Break it down entirely and not leave a thing?

Mr. MURCHISON. That would seem to be the objective, because that is the only thing that has been accomplished, Senator.

Senator CONNALLY. The best thing to do is to repeal it, if that is the case. I do not like witnesses to come in and say that everybody is crooked but them, and impugning the motives of the people who advocate things.

Mr. MURCHISON. I think that is a matter of policy. It is not a matter of being crooked or honest, Senator. I did not mean that—to imply there was any moral question involved.

Of course, there are conflicting views with respect to tariff, and many people honestly think that the tariff should be abolished.

Senator CONNALLY. That is right.

Mr. MURCHISON. Of course, we take the opposite view.

The Congress is today appropriating billions upon billions of dollars in the interests of our military security and for the same purpose is contemplating the drafting of American boys into the armed forces. Can we, while doing this, bargain away our economic security in the interest of a specious doctrine under the pressure of emotional exhortation?

We therefore wish to accord our full support to the objectives of H. R. 6556 as enacted in the lower House. We, of course, regard it as a piece of transition legislation, but the principles contained in its proposed amendments are sound and should supply the foundation upon which a new and more enlightened tariff policy will eventually be built.

In its international trade aspects, the 1-year extension offers no serious threat for the next 12 months, because virtually all the trade agreements that can be made have already been made, and will probably endure for a 3-year period. The adoption of the safeguards contained in the amendments, while they may not be seriously needed within a 12-month period, is extremely important from the standpoint of principle.

The CHAIRMAN. I think it might well be to emphasize that they can go longer than a 3-year period. They can endure thereafter until one of the parties wants to get loose.

Mr. MURCHISON. That is quite right, Senator. I meant to indicate there the minimum period rather than the maximum.

To restore the principle of economic determination as distinct from political bargaining it is vital that the Tariff Commission or some analogous independent agency be entrusted with the responsibility of fact finding in accordance with economic criteria established by the Congress.

At this point I do wish to emphasize that many of us who are opposing the continuation of the reciprocal-trade program as set up are not doing it because we are necessarily high-tariff people. That isn't the idea at all. We are generally charged with making an effort that has for its ends only the establishment of high tariffs. That definitely is not so.



We are in favor of a tariff system in which the determination of the customs rates are based on economic criteria. I have reference to the economic needs of the country, rather than to those considerations which arise in our whole range of international relationships.

It is equally important to restore the principle as set forth in the Constitution of the United States that Congress be empowered to regulate the foreign trade and commerce of the United States.

Under the present system Congress is completely divorced from the exercise of its constitutional powers. Under the present system it is not even possible for an American citizen to invoke the right of judicial appeal; that is, with respect to the operation of this act.

Both the legislative and judicial branches of the Government are completely eliminated from any part of the adjudication or administration of the Reciprocal Trade Agreements Act. No one, of course, wishes to return to the methods of tariff making which we previously had, but a sound administrative determination and administration of customs duties and trade agreements need not be divorced from the congressional power to review and veto.

In the interest of the American people it must not be so divorced.

The CHAIRMAN. Any questions?

Thank you, Mr. Murchison, very much.

The CHAIRMAN. The next witness is Mr. F. E. Mollin, of the American Livestock Association.

I should know, myself, because he is one of the distinguished citizens of Colorado.

We are glad to have you here.

#### STATEMENT OF F. E. MOLLIN, EXECUTIVE SECRETARY, AMERICAN NATIONAL LIVESTOCK ASSOCIATION, DENVER, COLO.

Mr. MOLLIN. My name is F. E. Mollin. I am executive secretary of the American National Livestock Association, Denver, Colo.

Our membership consists of beef-cattle producers in the territory west of the Missouri River, the States of Louisiana, Florida, Michigan—I mean the organized producers—with a scattered membership in many other States.

I am very glad of the opportunity, Mr. Chairman—

The CHAIRMAN. Does it extend into Texas?

Mr. MOLLIN. Yes. I am very glad of the opportunity to discuss the future tariff policy with you this morning. Our association has always believed in a tariff that would give us a degree of protection when supplies were heavy and prices low, and that would operate in the reverse fashion when supplies were light and prices high.

The only reason there isn't such an operation today is because the imports that could come into this country are diverted elsewhere, not through any barrier that would bar them from the United States.

We have opposed the reciprocal-trade program from the beginning, and we are still opposed to it. At our convention in Boise in January of this year, our resolution No. 4—that was our fifty-first convention, by the way—reiterated our opposition to the reciprocal-trade program and suggested that if it were to be extended, that it be for a period of only 1 year.

We favored the restoration of the Federal Tariff Commission to a point of power in the making of these agreements and suggested that if that were not done, the Congress take the power back to itself. So that the bill, H. R. 6556, goes quite a long way in line with our resolution.

If I may, I would like to read into the record resolution No. 4. It is as follows:

RESOLUTION NO. 4, RECIPROCAL TRADE ACT

Whereas it has recently been announced that 100 reciprocal trade agreements have been negotiated as a result of the recent International Trade Congress at Geneva, making sharp reductions in the tariff rates on the major products imported into this country; and

Whereas these tariff reductions are in turn made available to all nations under the most-favored-nation treaties now in existence; and

Whereas these new reductions reduce the level of tariffs in this country to the lowest point in more than 100 years; and

Whereas the Reciprocal Trade Act expires in June 1948 but the tariff reductions just made will in any event continue in effect for 3 years from date of execution: Therefore be it

*Resolved*, That we urge that the Reciprocal Trade Act be not extended, but instead the United States Tariff Commission be revitalized and given the power to adjust rates either up or down as occasion may demand after the 3-year period mentioned above has expired, so that domestic agricultural producers, industry, and labor may be adequately protected against a sudden and disastrous flow of imports, or Congress restore to itself the right to confirm or reject any change in tariff affecting agricultural products.

I have listened to a good deal of discussion in the last 2 days in regard to the Federal Tariff Commission as opposed to the present method of making trade agreements. I have appeared many times before the Committee for Reciprocity Information numerous times in connection with pending trade negotiations, and I think it is only fair to say that it is a complete farce, so far as having any value to the people who appear before them.

In the beginning numerous Congressmen and Senators appeared down there, and there would be some quite lively cross-examination by the members of the committee. When they got into some pretty hot arguments with Members of Congress, finally it was ordered that they should not ask Members of Congress any questions. So in the latter appearances I have made, a Member of Congress would make his statement and that was all.

Still later, that same rule appeared to apply to individual witnesses; so we merely appeared before a committee which sat there like a bunch of stuffed owls and listened to us and asked no questions, and then apparently from the information that has been put in by other witnesses nothing was ever done about it.

We don't think that is a fair exchange or a fair shake for people who spend their money to come to Washington who have an honest interest in the proceedings, and who would like to have the opportunity, at least, to talk to people who are going to have something to do with the making of the final decision.

A good deal has been said about the importance of having representatives from all the different bureaus, and particularly the Agricultural Department in the case of agricultural commodities.

On that Committee for Reciprocity Information I believe every time I have appeared there, Agriculture has been represented by Mr.

Arner, who is a notorious free trader. I don't think he ever had a thought in his mind about protecting American agriculture. I think sometimes they have two witnesses. I do recall one hearing where another member for the Department of Agriculture seemed to be more friendly to the agricultural side.

It has been my experience there in the days when the members of the committee did ask some questions that, generally speaking, it appeared they were picked because they believed in international trade, and not because they were charged with the responsibility of protecting American industry, labor, and agriculture.

We think if we had the opportunity to appear before the Federal Tariff Commission, and if that Commission had a responsible part in making recommendations as to what the rates would be, it would be very gladly accepted throughout the country and that we would have a confidence in the proceedings that we do not have at this time.

A good deal has been said about the old log-rolling methods. We don't propose going back to the days of the bills being written up here on the hill any more than anybody else does, but we are not at all satisfied that under the Reciprocal Trade Act we have what we were told we were going to have, which was a scientific, selective treatment of the tariff.

From the testimony that has been put in the record, it shows that practically every item in the tariff act has been reduced, and we know from our own experience that there have been reductions made in items that could have no possible effect upon international trade.

I would like just to cite you the case of hides, for instance. We had 10 percent tariff on hides, a purely nominal duty. Yet, in the trade agreement with Argentine that tariff was reduced from 10 percent to 5 percent.

Argentine hides would come into this country just as freely over a 10 percent duty as over a 5 percent duty. There was no reason, no advantage to be gained, by cutting that tariff, and it was merely in line with the policy of making the Reciprocal Trade Act the medium of a straight reduction in the tariff. It might just as well have been done honestly as to pretend that it was being done in a scientific, selective manner.

I have heard a good many of these arguments about promoting foreign trade, but I never heard anyone explain how it was going to profit the United States to promote the export of one kind of commodity at the expense of the producers of another domestic commodity.

I think we are all willing to increase our foreign trade to the point that we can use imports to advantage, but when you say we are going to increase the export of automobiles or any other commodity and we are going to permit imports of watches or pottery or anything else to pay for them at the expense of watchmakers and the pottery makers, it doesn't make sense to me.

That has never been explained to my satisfaction. I don't think it is capable of explanation.

One thing that we have learned during the war and since the war is the tremendous effect on the demand for beef, and I think the same would be true of almost any commodity, of full employment in this country. We have today the best demand for beef that we have ever

had. We are concerned over the general economy as much as we are over the direct market for beef. We don't think that we can remain prosperous even though at the moment we are in a relatively favored position with regard to possible imports of cattle or beef products. We don't think we can remain prosperous if the economy of this country is not maintained in a prosperous condition.

We know what would happen if we had large unemployment. There would be a sharp falling off in the demand for beef, immediately, even though our supplies were just the same or even somewhat below what they are today.

I would like to call your attention to the fact that our production today is at almost a record level, and that is true, of course, of many other agricultural products.

In cattle, we had our peak number 3 years ago when there were 85.5 million cattle in the country. On January 1, this year, we were down approximately 7,000,000 head.

Of those 7,000,000, only 409,000 were beef breeding cows and heifers; Senator, you might not have realized that. There has been so little reduction in the beef breeding cows and heifers, we are practically at peak production. The reduction has been largely in dairy cows, and in steers and some of the younger classifications of beef animals, but the beef breeding herd is near the record high.

There is another difference between now and the prewar conditions in the fact that prior to the war we were receiving quite substantial imports of cattle and beef products. Today we receive very little imports, except some canned beef. So we are today supplying the largest amount of beef per capita that the people of this country ever have eaten, almost entirely from domestic production, whereas during the 1935 to 1939 period, quite a substantial part came from imports.

Senator MARTIN. Might I ask a question?

The CHAIRMAN. Surely.

Senator MARTIN. Does it indicate that that will continue over the next few years, or is there a danger of dropping off?

Mr. MOLLIN. In production?

Senator MARTIN. Yes.

Mr. MOLLIN. I think it is expected that there will be a further slight reduction this year, Senator, in meat production, and there will be a dropping off in beef. I was going to give you some figures on that:

In the 5-year period before the war 1935-39, meat consumption was 126.2 pounds.

Of that, 63.3, or half, was beef and veal. Last year we had the largest per capita meat consumption since 1908 in this country, and in beef and veal alone we had the largest per capita consumption we have ever had in this country.

The total last year per capita was 155.2 pounds. The amount of beef and veal in that was 79.9 pounds. So, while we furnished nearly all this out of our domestic supplies, it was 29 pounds above what we furnished during the 5-year prewar period.

As I said, our beef-breeding herd is still very high. It is expected that the total consumption this year will be down 10 pounds from last year, and I would say that perhaps half of that or about 5 pounds, would be beef.

The point is, we are still on a very high plane of production. You can't change cattle production quickly as you can in many commodities.

So, if there is any sudden change in the economy of this country, we will catch it first. We know that. History shows that. The producer is always the first to feel it. So, I think it is important that great care should be taken in regard to this tariff matter, because if you don't protect the agricultural producers while they are making this tremendous effort not only to feed this country but a large share of the world, when the change comes you are just going to leave them in very bad shape.

We feel that the bill that is before you is a step in the right direction for the particular reason that it does the very thing that the Congressman referred to a few minutes ago. I favor it for the very reason that he opposes it, because it puts the emphasis back on protecting American industries, American labor, and American agriculture.

It seems to me that is the major purpose of a tariff bill. It isn't to promote foreign trade. It is to insure the economy of this country. We feel that it is a whole lot better to have that job done by an independent body such as the Federal Tariff Commission than to have it done in the State Department, which has other objectives in mind entirely from what was intended when the Constitution was written, giving the tariff-making authority to the Congress.

I think in your passing that power on, you ought to insure that this principle of tariff making is carried out by whatever agency you empower to do the job.

We don't feel that that principle can be properly carried out by the State Department, which is thinking about a lot of other things that do not have too much to do with the economy of this country.

Under the circumstances, while, as I said, we have not favored the reciprocal trade program, we certainly urge the passage of this bill with the 1-year extension. We feel it is quite proper that this whole matter should come up next year when the whole world trade situation is before you, and that the evidence that has been put into your record here clearly shows there is going to be no damage to the existing situation by this 1-year extension.

We think that after the election is over, the whole country can settle down and give serious consideration to the future tariff policy of the country.

I believe that is about the most important thing we can do. We don't believe there has been any fairness of test at all of the reciprocal trade program to date. I might say that during that 5-year prewar period, 1935-39, when we were producing only 63.3 pounds of beef and veal per capita, particularly in the first years of that 5-year period, the beef cattle industry was not profitable. Even on that basis the demand for beef was not great enough, to be profitable.

It is only as we got into the advance buying for the war and into the war period itself that our industry got on to a profitable basis. We know that while we have this tremendous demand for beef today, that situation can change quickly.

We urge you to take every care that the future tariff policy of this country will be handled by an agency that is impartial and that is instructed to carry out the original purpose of the tariff-making power.

That is all I have, Senator.

The CHAIRMAN. Thank you very much. Are there any questions?

Senator GEORGE. You would not have the State Department have anything at all to do with the making of our tariffs?

Mr. MOLLIN. If I had my way about it, I don't know that I would, Senator. I would certainly like the Tariff Commission—

Senator GEORGE. I think you have very frankly said you think the whole power and authority ought to be vested in the Tariff Commission to carry out the policy which the Congress had laid down.

Mr. MOLLIN. Yes.

Senator GEORGE. Which is one of protecting industry and producers.

Mr. MOLLIN. To a reasonable degree. I don't take the position that you can protect every individual producer in this country of every kind. I know that you have to hit a balance, and that balance should give a reasonable degree of protection to an industry, not to an individual in that industry.

It seems to me that if you follow that policy, the country is going to come out all right.

Senator GEORGE. I am not quarreling with your argument at all. I just wanted to get it clear.

I thought you very frankly stated the whole thing when you said that you thought this whole power should be vested in the Tariff Commission, and the State Department has nothing to do with it.

Agriculture should have nothing to do with it, and nobody else, because the Tariff Commission is the agency that under the Tariff Act, of course, is given the power to do certain things.

Mr. MOLLIN. I would rather have an independent agency do that job even than the Agriculture Department, because we know the Agriculture Department is part of the Administration, just as the situation today is that the new Secretary of Agriculture, I believe, has appeared in support of the administration bill. He is doing so because he is asked to do it. He does not operate as an individual who is seeking to protect agriculture. He operates at the request of the President to carry out the administration program.

If you have an independent agency that is charged with the responsibility of protecting the whole country, I think we would get better results than to have any part of the executive branch do the job.

Senator GEORGE. You put the whole emphasis purely on protection, without regard to any other policies or any other part of the program that we are trying to carry out in this modern time.

Mr. MOLLIN. I don't see where giving reasonable protection to American industry is going to conflict with the modern idea.

If you are going to give the power to the State Department, and they overemphasize foreign trade, and it reacts on the country, you are not getting anywhere.

Senator GEORGE. You ought to have a balanced program, but I do not think you get it under just putting it back in the Tariff Commission. It seems to me that you would be going backward in that way very fast because I do not see how we could just regard our tariff policy, as we did for so long a time, just as our own policy without regard to its general effects.

Do you not think that conditions have changed somewhat?

Mr. MOLLIN. Yes, I think they have changed too much.

Senator GEORGE. You do? Do you not think the fact that we have become the greatest creditor nation in the world and the greatest producing nation in the world, with need for markets and outlets to maintain a balanced economy, the general economy of the country, do you not think those are all facts that should be kept in mind?

Mr. MOLLIN. Yes, I do, Senator; but I don't subscribe to the belief that we can get anywhere by promoting imports of products that we don't need or of products that we can produce ourselves.

Senator GEORGE. I do not suppose we could import a lot of products that we do not need. We need a great many things now that we do not have.

Mr. MOLLIN. There is nothing to stop them from coming in, either.

Senator GEORGE. It may be that the tariff is not the reason, but I say there are a lot of things that we do not have that we ought to have.

Mr. MOLLIN. For instance, in beef. I say there is nothing to keep Canadian beef from coming into this market today except the fact that Canada and England made an agreement that Canada's surplus goes to England. Any time they decide they need a supply of American dollars worse than England needs Canadian beef, Canada will begin giving licenses to the cattlemen up there to ship their cattle to the United States.

They are sore because they are denied the American market, but there is no barrier on this side of the line. The barrier is on their side.

Senator BUTLER. Mr. Mollin made the statement, which I think all of us admit is factual, the decline in the cattle population is around 8,000,000, from 85,000,000 to about 79,000,000, and of that decline, around 400,000 was in the beef-cattle population.

Mr. MOLLIN. Beef cows.

Senator BUTLER. While this may not be exactly related to the subject under discussion, I would appreciate your opinion, if you have one. Why the big drop in cattle population other than beef cattle?

Mr. MOLLIN. I think the high price has encouraged ranchers to dispose of anything like steers, for instance. We used to carry quite a number of steers. I think the high price has encouraged them to move those to market. But they have held on pretty much to the breeding herds. So the calf crop is still going to be very sizable this year. I think that is the main reason, Senator.

Senator BUTLER. The decline of around 7½ million is mostly in the dairy herd, is it not?

Mr. MOLLIN. Yes, but I understand that the dairy people claim they are producing more milk with fewer cows. I think they have culled their herds. I think it is their claim they are producing more milk with fewer cows.

Senator BUTLER. That is all.

The CHAIRMAN. There has been some objection here to the inclusion in the bill of the injury test. In that connection, I would like to read a letter from Franklin D. Roosevelt to Congressman Buck under date of June 15, 1934:

MY DEAR CONGRESSMAN BUCK:

I am somewhat surprised and a little amused at the fears you say have been aroused in California because of the enactment and possible administration of

the Reciprocal Trade Agreements Act. Certainly it is not the purpose of the administration to sacrifice the farmers and fruit growers of California in the pursuit of the will-o'-the-wisp of foreign markets, as published reports would make believe. I trust that no Californian will have any concern or fear that anything damaging to the fruit growers of that State or of any other State will result from this legislation.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

In President Truman's message to Congress of March 1, 1948, on the subject of Reciprocal Trade Agreements extension, he said:

In addition, the interests of domestic producers are carefully protected in the negotiation of each trade agreement. I assured the Congress when the Reciprocal Trade Agreements Act was last extended in 1945 that domestic producers would be safeguarded in the process of expanding trade. That commitment has been kept. It will continue to be kept. The practice will be continued of holding extensive public hearings to obtain the view of all interested persons before negotiations are even begun. The practice will be continued whereby each agreement before its conclusion will be carefully studied with the Departments of State, Treasury, Agriculture, Commerce, and Labor, the National Military Establishment and the Tariff Commission.

Finally, each agreement will continue to include a clause which will permit withdrawal or modification of concessions if, as a result of unforeseen developments and of the concessions, imports increase to such an extent as to cause or threaten serious injury to domestic producers.

In connection with the hearings on the extension of the Reciprocal Trade Agreements in 1945, Mr. Clayton testified; reading from page 7 of the report:

A rumor has freely circulated that certain American industries have been singled out as inefficient industries and that if the additional authority provided for in the bill is granted the State Department will use such authority to trade off these inefficient industries for other industries which can compete in the world market. Nothing could be further from the truth than this. The State Department has never construed the trade Agreements Act as a license to remake the industrial or agricultural pattern of America. The record of 11 years of administration of the act should prove that. If, however, there is any doubt in anyone's mind regarding the use of the act to seriously injure American industry, this doubt should be completely dispelled by the letter of May 25 from President Truman to the Honorable Sam Rayburn. The short letter reads as follows:

"My dear Mr. Speaker: Supplementing our conversation yesterday, I wish to repeat that I regard the pending measure for the renewal and strengthening of the Trade Agreements Act as of the first order of importance for the success of my administration. I assume there is no doubt that the act will be renewed. The real question is whether the renewal is to be in such form as to make the act effective. For that purpose, the enlargement of authority provided by section 2 of the pending bill is essential. I have had drawn to my attention statements to the effect that this increased authority might be used in such a way as to endanger or trade out segments of the American industry, American agriculture, or American labor. No such action was taken under President Roosevelt and Cordell Hull, and no such action will take place under my Presidency."

"Sincerely yours,

"HARRY S. TRUMAN."

As I said before, I put that in the record to show that the administration has subscribed to the no injury ideas, and since that is the case, personally I can see no reason why it should not be embodied in law.

I thank you very much, Mr. Mollin.

Mr. MOLLIN. Thank you.

The CHAIRMAN. Mr. Strackbein is the next witness.

Mr. Strackbein; I am very sorry I have to go up to attend a debate in which I am involved and I cannot stay to hear you, but I will read what you have to say in the record.



**STATEMENT OF O. R. STRACKBEIN, EXECUTIVE SECRETARY,  
AMERICA'S WAGE EARNERS' PROTECTIVE CONFERENCE**

Mr. STRACKBEIN. Thank you very much.

My name is O. R. Strackbein. I am executive secretary of the American Wage Earners' Protective Conference. This organization is composed of national and international unions affiliated with the American Federation of Labor. It was intended that Mr. Matthew Woll would appear on this occasion, but because of previous commitments he has been unable to come and has asked me to make a statement.

Senator BUTLER. (presiding.) That will be very satisfactory, sir.

Mr. STRACKBEIN. Thank you. I think first, before proceeding with that statement, I would like to read a resolution adopted by the Executive Council of the American Federation of Labor in 1938, if that is agreeable.

Senator BUTLER. That is all right. You may proceed.

Mr. STRACKBEIN (reading):

Whereas the provisions of reciprocal trade treaties negotiated by the State Department with foreign nations affect very vitally both economic conditions of American workers and unemployment, and there are many organizations representing thousands of workers affiliated with the American Federation of Labor which are seriously affected by these trade treaties, and for that reason are deeply interested in their provisions; and

Whereas the economic and industrial interests of these workers demand that the American Federation of Labor exercise all efforts possible to prevent the importation of goods from foreign countries under the provisions of reciprocal trade treaties where lower wages, longer hours, and lower standards prevail than exist in the competing industries within the United States: Therefore be it

*Resolved*, That the Executive Council of the American Federation of Labor express itself on the opposition to reciprocal trade treaties which discriminate against American workers. We are opposed to reciprocal trade treaty provisions which provide for importation of goods and merchandise which, because of low labor costs abroad, are sold at a lower price than the same goods and merchandise produced by workers in the United States, where wages and conditions of labor are established on a higher standard than those which prevail abroad; and be it further

*Resolved*, That a committee representing the American Federation of Labor be accorded the privilege of presenting labor's point of view relating to the provisions of reciprocal trade agreements affecting labor before said agreements are negotiated.

That resolution, which was an official act of the Executive Council of the American Federation of Labor, was reaffirmed in their meeting in Milwaukee the past month. I want to make it clear I am not speaking for the American Federation of Labor as a whole. I am speaking for America's Wage Earners' Protective Conference which is composed of national and international unions affiliated with the American Federation of Labor.

Senator MARTIN. What are those particular organizations that you represent?

Mr. STRACKBEIN. There are about a dozen organizations. Those that are most directly concerned are the American Flint Glass Workers Union; the Glass Bottle Blowers Association; the Window Glass Cutters League; the National Brotherhood of Operative Potters; the International Union of Photoengravers; the National Brotherhood of Painters, Decorators; the International Brotherhood of Operating

Engineers. There are four or five more, the United Wallpaper Crafts, and several others.

The membership of these organizations runs well over 500,000. There are other unions which cooperate in this conference. One of them is the Boot and Shoe Workers International Union.

Senator MARTIN. Are there any unions that are in opposition to the view which you are expressing?

Mr. STRACKBEIN. There are unions in the American Federation of Labor which have appeared from time to time in support of the Reciprocal Trade Agreements. One of them is the Brotherhood of Railway Clerks. I might point out that the president of the American Federation of Labor has in the past always at times appeared in favor of this program. However, this year, although he was invited to appear before the House Ways and Means Committee, the subcommittee which held hearings a few weeks ago, he did not appear, and he did not have a representative come before that body to appear. So far as I know, he has not appeared in the present hearings before the Finance Committee of the Senate.

This is the fifth hearing held by the Finance Committee of the Senate on the extension of the Trade Agreements Program. The House Ways and Means Committee has held an equal number of hearings since 1934 on the same subject. A large mass of facts and allegations has been presented during these successive hearings. Many claims and counterclaims have been made and it may be assumed that this committee is quite familiar with them. It should therefore not be necessary to review them at this time.

It should be sufficient to quote from the report made by the Tariff Commission in April 1948. On page 78 of volume I it says:

As a matter of fact, conditions during the latter half of the 1930 decade were far from normal; many and profound economic changes were taking place both in this country and abroad, and these changes taken together, had greater effects on our foreign trade than the duty reductions and other trade-agreement concessions.

The changes in general conditions during the latter half of the prewar decade included among others (1) the large measure of industrial recovery between 1934 and 1937; (2) the business recession in 1938; (3) the partial recovery in 1939; (4) the beginning of military preparations in various countries, notably in Germany, Italy, and Japan, some time before the outbreak of the war in Europe; (5) the use (especially by Germany) of various exchange devices and of bilateral trading arrangements; (6) the droughts in the United States in 1934 and 1936; and (7) the generally unsettled political, economic, and financial conditions in the various foreign countries, and the resulting flight of capital (mostly in the form of gold) to the United States.

The report simply lists seven conditions that have affected and greatly disturbed trading during the decade of 1930, the latter part of the decade.

This is an unusually fine summary and the Tariff Commission is to be commended for making it. The next paragraph of the report is particularly noteworthy for its honest objectivity. It says:

It is impossible to distinguish statistically between changes in trade resulting from concessions in trade agreements and changes resulting from other causes such as those mentioned above. It may be assumed, however, that tariff reductions as broad in scope and as deep as those made by the United States in the years 1935 and 1936 must have operated to cause United States imports in the years 1937-38 to be appreciably larger than they otherwise would have been \* \* \*.

This is certainly a fair assumption and it may be assumed further that the equally deep reductions made subsequently at Geneva in October 1947 will lead to yet greater imports. It is not clear how we will export more to other nations under multilateral agreements whereby other countries reduce their duties as much to each other as they do to us. No one nation thus gains an exclusive advantage.

However, what is heartening in the report of the Tariff Commission is that it differs so completely in spirit and intent from the many broad and unsubstantiated claims made by the State Department in the past in support of the Trade Agreements Program.

This difference is so marked that it bears some attention. It goes to the very heart of the merits of different methods of tariff-making and administration. The Tariff Commission is an independent bipartisan agency while the State Department is an executive department that carries out the policies of the political party in power. Such a department is under constant temptation to justify and support the party that gives it direction. A bipartisan commission is relatively free from such temptation and may therefore be expected to present facts rather than unsubstantiated claims in appraising the results of its operations.

The relevance of this distinction to the bill before this committee is obvious.

The idea of setting up a bipartisan tariff agency arose in the past from the desire to remove tariff-making from partisan politics.

When committees are set up, composed of representatives of the executive branch who greatly outnumber the Tariff Commission's representation, the benefits of the Commission's bipartisanship are thrown to the winds. Partisanship inevitably carries the day. In time the representatives of the bipartisan body will yield out of sheer hopelessness and weariness of being ignored or overruled.

It is not an accident that there have been numerous complaints against the virtual meaninglessness of the hearings held before the Committee on Reciprocity Information, on which the Tariff Commission has only one representative. This is a committee staffed predominantly by representatives of the executive departments.

However, this is not all. Interposed between this committee and the final results are two more layers of executive representation. One is the Interdepartmental Trade Agreements Committee. Nothing here said is to be taken as implying that the personnel of this committee is incompetent in its accustomed field. The purpose is to point out that the committee is beholden to the executive departments and is therefore not nonpartisan. The next layer consists of the State Department negotiators.

To whom would these negotiators be expected to look for guidance? To the shattered and greatly outnumbered representatives of the bipartisan tariff commission or to the dominant elements that represent the executive departments? What then becomes of the expertness in tariff matters which we would expect to find among those who modify and adjust our tariff? This expertness and impartiality resides in the personnel of the Tariff Commission.

Certainly a group, the negotiators, that is twice removed from the source of impartiality and expertness cannot be expected to absorb

much of either expertness or impartiality though so thin a line of communication.

It is for this reason that we advocate vesting in the Tariff Commission the authority to determine the limits within which tariff adjustments may be made. We believe that experts in tariff matters should not only find and assemble the facts but should draw conclusions from them. Executive departments may be sources of information and these may be tapped profitably. The conclusions of the Tariff Commission may be transmitted in secret form to the State Department. It would not then be necessary to reveal them to representatives of foreign countries at any earlier stage than they have been revealed in the past. The negotiators of the State Department would therefore not be handicapped in their bargaining activities.

If the limits set by the Tariff Commission are made final we see no need for referring agreements to the Congress for any form of approval; and we think that the findings of the Commission should be final.

This procedure would take the tariff out of international politics as effectively as it would avoid the so-called congressional logrolling of the past. We believe both to be equally repugnant to sound tariff making. It is no remedy to go from one extreme to another. If we are interested in taking the tariff out of politics we should adopt the only method that is appropriate to the objective.

We believe that the tariff is a suitable instrument for reciprocal trading. At the same time we know that our store of bargains is not inexhaustible. The shelves are not replenished as they are in a mercantile house. We have already traded away over half of our stock; in fact, we have given away a good portion of it through the most-favored-nation clause. The supporters of the trade-agreements program in its present form constantly disavow free trade as their goal; but there is no present indication that they have any inclination to stop short of it. Yet the fact is that after all their trading other countries are creating barriers in more deadly forms than tariffs as fast as we tear down our protection. For these new barriers there are always good reasons; but why should we think that good reasons will not be found in the future as readily as in the past? We are called upon to lead the way endlessly by way of good example; but our inventory of possible concessions is running low.

The barriers that other nations have erected since World War II are condoned by those who look upon the tariff as an instrument of foreign policy. When the same thing was done after the First World War for very similar reasons the action was called retaliation. This time we lowered our tariffs but got in effect the same results; but this time we call the results another name.

While we believe that it is good policy to seek concessions from other countries when we are in a position to grant them concessions, we deny that the true purpose of a tariff lies in this direction. If the duties are set at points where they provide the appropriate degree of protection there is no further room for bargaining until conditions change so that further downward revision is justified. Such changes may appear from time to time in this country and abroad. This would be expected from the impact of technological progress and would provide occasion for bargaining. However, we cannot assume that in all

these instances the advantages of increased productivity will be on our side. Therefore we must contemplate the probability that some of our rates might require upward adjustment no less than downward. An agency that is free from partisan control is best suited to function flexibly in both directions according to the facts.

Much has been made of a public opinion poll recently taken by the Gallup enterprise. We do not question its essential accuracy. It is quoted as revealing that eight out of ten people in this country are in favor of the trade-agreements program. It is not so freely stated that the poll revealed that two-thirds of those interviewed did not know that we had such a program, or even new what it was. It is then emphasized that the "informed opinion," i. e., one-third of those polled, stands 80 percent or more in favor of the program. Presumably "informed opinion" consists of having heard that something exists or merely knowing what it is.

Quite aside from the esteem in which such opinion may or may not be held we believe it necessary to examine the genesis of this opinion.

Since most opinion is affected by or in great degree determined by publicity, especially in those instances where the subject matter is involved and technical, such as the tariff, it may be enlightening to inquire into the character of the publicity that has attended the trade agreements program, especially on those occasions when renewal of the program has been under consideration.

It is worth noting that the newspapers have achieved a high degree of unity on this one subject. In the debate on the Gearhart bill in the House it was stated that—

newspaper after newspaper from New York to Texas and California to Georgia is opposed to this bill \* \* \*

It was also said that not more than 1 columnist in 20 is against the trade agreements program, leaving 19 out of 20 for it. It might have been added that editorial writers and cartoonists also enlisted in the cause of the program. The editorial writers argued most vigorously if not always accurately in favor of its extension without change. The cartoonists dusted off ancient ideas of impending skulduggery to scare the public.

Such singular unity of thought among such diverse elements where disagreement is the rule rather than the exception, should have provoked some questions. What is the cause of such unanimity among those who are so expert at disagreeing on other subjects?

The fact is that the newspaper publishing industry in this instance is the pleader of a special interest, no different from anyone else. True, the industry has sent no one to testify before the committees of Congress. That has been unnecessary. They have their daily forum throughout the country.

An important element in the cost of publishing a newspaper lies in the cost of newsprint. Pulpwood, wood pulp, and newsprint are all on the free list. The State Department has bound all these items on the free list.

There is an industry in the Southern States struggling to develop newsprint from short-leaf pine of which there is a good supply. I may say one of these plants is operating in Luftin, Tex., and the capacity of that plant is now by way of being doubled, I understand. I have checked this with the Department of Commerce. And that

another plant of equal capacity is under construction in the Coosa River area in Alabama, for making newsprint.

Senator MARTIN. May I ask a question, Mr. Chairman?

Senator BUTLER. Go ahead, Senator Martin.

Senator MARTIN. Is there sufficient pulpwood in America to produce the amount of newsprint that we require?

Mr. STRACKBEIN. There is a great supply of short-leaf pine, as you know, in the Southern States. There has been some difficulty in the past in adapting that pulpwood to newsprint and other qualities of paper. The technological problems have been fairly well overcome, and it is for that reason that the investments are now expanding in that industry.

Senator MARTIN. Do you know when the tariff was taken off newsprint?

Mr. STRACKBEIN. I do not know just when that did happen.

Senator MARTIN. Mr. Chairman, I would like to state that I have received this information, as a member of the Small Business Committee when we had the problem of newsprint for a lot of our small journals, like labor weeklies, church papers, veterans and other organizational papers, that four-fifths of the newsprint now used in the United States is imported.

Thirty years ago we produced four-fifths of it within this country. The tariff was taken off, and of course it could be produced cheaper in Canada, the Scandinavian countries.

Mr. STRACKBEIN. Finland and Sweden particularly.

Senator BUTLER. The price has about trebled, I think, in the last few years.

Mr. STRACKBEIN. Yes.

Senator BUTLER. I might say, too, that the committees of Congress have done their best to open up the pulpwood field in southeast Alaska, so far rather unsuccessfully.

Mr. STRACKBEIN. I looked up the imports in 1947 of standard newsprint paper and it amounted to \$343,000,000. Pulpwood amounted to \$30,000,000. And wood pulp \$256,000,000. There is over \$600,000,000 of imports.

Senator MARIN. Mr. Chairman, it might be worth our consideration, if in the next war an enemy country should occupy Canada, we could not have a free press in America because we would not have the newsprint from which to print our daily papers.

Mr. STRACKBEIN. This southern industry is an infant industry and it might occur to some of the promoters that tariff protection would be helpful. We do not say that this would or would not be justified. We do not have the facts. We wish rather to point out that newspaper publishers have been well protected under the trade agreements program and have been provided with adequate grounds for further gratitude.

In the second place it may be observed that newspapers are free of foreign competition and therefore have nothing to fear from the extremely low levels of wages prevailing in various foreign countries.

We do not blame the newspapers for taking the position they have. Their position is a natural one. However, by the accident that their interests coincide with the low-tariff policy of the State Department, they become special pleaders against change without the disadvan-

tage of having this fact generally known. In this light, the objectivity of their pleading loses its force; as does also the unity of their front. The newspaper campaign should therefore be weighed for what it is, namely, the representations of one industry or one group among others who are interested in this legislation, rather than as a spontaneous outpouring of disinterested and objective thought.

Under the circumstances, it should not be surprising that the one-third of our population which knows what the trade agreements program is, has been led by its reading of such unanimous newspaper expression, to favor the program.

For reasons that are traceable to the same ambiguous position of the newspapers it is safe to assume that the public does not know that failure to extend this act would leave the existing agreements still in effect. The impression has been created, wittingly or unwittingly, that nonextension of the act in its present form would mean reversion to tariff rates in existence before 1934 when the act was first passed.

I may say a few weeks ago I appeared on a radio program in Columbus, Ohio, the Town Meeting of the Air, and I made the point that even if the present act should lapse, the trade agreements now in existence would continue in effect until they are cancelled on 6-month notice by one of the contracting parties. That was a complete surprise to the people who heard it, and it was the one thing that was outstanding in forming their opinion.

Senator BUTLER. That point has been developed quite thoroughly, I think, by a number of witnesses, Mr. Strackbein.

Mr. STRACKBEIN. If the newspapers were disinterested observers, they would let it be known that such is not the case, that is, that the rates would revert back to 1934. They would let it be known that the agreements now in effect and the duty rates that they carry will remain in effect indefinitely or until such time as the individual contracting parties give 6 months' notice of termination.

While the foregoing paragraphs are not addressed to the merits of the Gearhart bill, they do go to the character of much of the opposition to it.

Affirmatively, we support the Gearhart bill among other reasons because it limits the extension of the act to 1 year. For this limitation we think there is full justification. For one thing, it will then make it possible to determine more adequately the effects of the reductions previously made. After 14 years it is time to take stock of the program, especially since so great a part of the time has been abnormal. It will be possible next year to consider its extension in the light of the experience gained from the European recovery plan.

We support it also because it would vest in the Tariff Commission the power to determine the limits within which modifications of duty would be made. We think that these limits should be binding upon the President. To provide otherwise would be to undo with one hand what had been done with the other. We see no necessity for congressional review if the power is lodged in the Tariff Commission in final form. If the President were allowed to depart from the findings of the Commission we would, however, wish to have the limited power of congressional review as provided for in the Gearhart bill.

One question that arises is what effect a 1-year limitation would have upon our foreign relations, and especially upon the European countries that participate in the Marshall plan. We think the effect would be beneficial. There is nothing in the bill that implies desertion of the principle of reciprocity. There is nothing in the bill that would discourage the reduction of trade barriers among the European countries themselves. We already have trade agreements with the most important of them. Those with which we have no agreements are beneficiaries of our other agreements through operation of the most-favored-nation clause. It is largely because the European nations have not made such agreements among themselves to the extent that they have with us that we have asked them through the Economic Cooperation Act to enter into agreements among themselves.

Objections have been made that the Tariff Commission cannot act as speedily as the State Department. This would be true only if the State Department has not exercised the care that it repeatedly avows that it has in preparing the ground for agreements. If that Department has done what it alleges, if it has given close study to the material prepared for it by the Tariff Commission and if it has analyzed with care the material produced in the hearings held by the Committee on Reciprocity Information, then there should be no retardation in the process if the responsibility is shifted to the Tariff Commission. If, on the other hand, the State Department has proceeded without adequate information and has neglected the data presented to the Committee on Reciprocity Information, there would be and should be a retardation.

Inasmuch as the United States has insisted upon self-help by the European beneficiaries of the Marshall plan there is good reason for placing the burden of proof on them. It should not devolve upon us to lead the way in further reduction of trade barriers as an example, especially since, with the exception of the customs agreement of the benelux countries, they have not kept pace with us.

To make the position of this organization clear, we support the Gearhart bill, with the proviso that if the findings of the Tariff Commission are made binding on the President we would drop the degree of congressional review provided in that bill.

Quite aside from this bill, however, we suggest that a Congressional Committee, with equal representation from both Houses, be set up to study the whole tariff problem in the light of experience gained both under the cost-of-production approach, which preceded the trade agreements program, and under the latter program itself. We believe that relative wage levels, both here and abroad, relative productivity and technological trends should be given more attention than they have hitherto received. These are the principle competitive factors that determine the proper levels of duty. Detailed cost-of-production studies are not necessary, but might be helpful in some instances.

We also believe that such a study of the tariff might be made to determine the feasibility of granting lower duties to countries that have the higher wage levels and higher standards of living, this giving low-wage countries some encouragement to raise their own standard of living. Since only one rate of duty on the same item is practical, the principal part of such a study would be directed to a determination of the extent to which nondiscriminatory rates could be devised to



suit the different levels of competition. A study of imports, including product description and unit values, in relation to countries of origin, might suggest more refined item classifications than we now have. This would permit the imposition of duties calculated to achieve the purpose in view. We have in mind, particularly, value brackets and similar devices that would encourage foreign producers to come into the higher brackets that carry lower rates. Instead of their seeking to sell at the lowest possible prices, derived from the lowest possible wages, they would have an incentive to raise their wage levels.

We suggest that this approach might profitably be explored, with the possibility that it might suggest an overhauling of our entire tariff over a period of time.

In the meantime we believe that the Gearhart bill, with the alternative of substituting final Tariff Commission authority for the limited congressional review provided in it, represents a very marked improvement over the existing law.

Senator BUTLER. Any questions?

Senator MARTIN. Do you know of any lay-off of men employed in any manufacturing concerns in America by reason of the importation of goods from foreign countries?

Mr. STRACKBEIN. Offhand, I do not, Senator. I want to say with that answer, in answer to the same question it was asked whether the trade agreements program has injured anyone. I doubt if injury can be shown up to this point.

However, I think that foresight is certainly one of the endowments of man, that man has. It is one of the most valuable endowments of the human species. We think it is incumbent to directors, the managers, and advisers of industry, agriculture, and labor to exercise their foresight.

Our impression is that the conditions under which the trade agreements have operated have been abnormal, that the reductions made last fall in Geneva were made at a time when the results therefrom could not possibly have been felt immediately. We are operating on the leeward side of the storm. We feel very strongly from past experience and from common sense that the time will come when great injury will impend, and we would hope that this country would be in a position in the handling of its tariff to meet those conditions when they do arise.

We think that this bill trends in that direction.

Senator MARTIN. That is all.

Senator BUTLER. Thank you, Mr. Strackbein.

Mr. STRACKBEIN. Thank you.

Senator BUTLER. Dr. Coulter? Dr. Coulter, you may identify yourself to the reporter and then proceed with your statement.

**STATEMENT OF DR. JOHN LEE COULTER, CONSULTING ECONOMIST,  
WASHINGTON, D. C., REPRESENTING THE NATIONAL RENDERERS  
ASSOCIATION**

Dr. COULTER. Mr. Chairman and members of the committee, professionally I am listed as a consulting economist, with offices in the Investment Building of this city. I have been asked particularly today to speak in behalf of the National Renderers Association. I

may say, however, that since appearing briefly before the subcommittee of the Ways and Means Committee of the House, a copy of my brief got into fairly widespread circulation, as a result of which, when an announcement was made that this committee would have open hearings, I have had long-distance telephone calls, telegrams, and letters from a considerable number of other parties than the National Renderers Association asking me to speak in their behalf, stating that they had studied the testimony which I gave before the House committee, that they were in hearty agreement therewith, and that they would like to have me speak for them.

Among those from whom I have heard during the last day or two, since my name appeared in this connection, are Mr. J. E. McDonald, the commissioner of agriculture of the State of Texas, and Mr. Nathan Mayo, commissioner of agriculture for the State of Florida. Incidentally, Mr. Mayo's representative is here in the room, but he insisted that I must speak for the State of Florida group. Others are Mr. Tom Linder, of Atlanta, Ga., for the State of Georgia; Mr. L. M. Walker, Jr., commissioner of agriculture for the State of Virginia; Mr. J. B. McLaughlin, commissioner of agriculture for the State of West Virginia; the State commissioner of agriculture of my home State, Minnesota, Mr. R. A. Trovatten; and also the State commissioner of agriculture of North Dakota, Mr. Math Dahl. Perhaps his interest is due to the fact that for about 10 years I served as president of the State agricultural college of that State, and therefore they knew of my activities.

This short statement which I have was prepared more directly at the request of the National Renderers Association. I think it would be best for me to read it. It is very brief, 10 or 12 minutes. That would give a basis for questions or further discussion.

Senator BUTLER. All right, Doctor.

Dr. COULTER. First. What constitutes the National Renderers Association?

Briefly, this association has a membership of about 250 owners and/or operators of rendering establishments engaged primarily in the production of inedible tallow and grease as a joint product or by-product of the livestock industry, together with such other products as animal protein feeds, hides and skins, and various other byproducts. Aside from livestock packing establishments which are not members of this association there are some 400 commercial rendering plants in the United States extending from Maine to Washington and from Florida to California. Needless to say, there are plants in every State of the Union wherever livestock are produced, processed, distributed, or consumed.

Second. That the industry is one of tremendous size is indicated by the fact that production during the current fiscal year is estimated at almost 2 billion pounds of inedible tallow and grease which at 25 cents per pound—the normal market price for these two commodities during 1947—would represent a gross value of about half a billion dollars. While the industry as a whole is "big business," it is made up of hundreds of relatively small, scattered companies and plants. Butter, a major dairy product, and lard, a byproduct of the pork-producing branch of agriculture, are the other two major animal fats or oils.

Other branches of agriculture outside the livestock industry are equally concerned with the extension of the Trade Agreements Act; growers of flaxseed depend upon oil as the principal source of income; producers of soybeans likewise depend upon soybean oil as the principal source of revenue. Peanut growers are tremendously interested in the production of peanut oil; production of cottonseed oil is of paramount importance to producers of cotton; corn oil and other fats and oils produced in connection with agriculture are large sources of agricultural income. Those are all domestic.

On the other side of the picture there are (1) vast foreign producing areas of marine fats and oils such as whale oil, fish oil, and so forth, and (2) vast tropical areas where production of food, drying, soap, and other industrial fats and oils are equal to or exceed production in the United States.

There is a tremendous amount of interchangeability among various domestic and foreign fats and oils and their products, with the result that all of these products are highly competitive, both in the American market and in the world market. International trade in fats and oils and their derivatives is of very great importance.

Third. H. R. 6556 provides for an extension of section 350 of the Tariff Act of 1930 which grants authority to the President to negotiate trade agreements dealing with tariffs, excise taxes, and other regulations which have been instituted by the United States and foreign nations for the purpose of supervising or regulating trade between countries. As a result of this extension of authority, the President is granted almost life and death powers to regulate or control this major branch of agriculture together with all industrial organizations engaged in the processing of these raw materials. It has well been said that this is truly a billion-dollar industry which, under authority granted by this act, can be encouraged or literally destroyed by actions which may be taken by the Chief Executive for political or other international purposes.

Fourth. It is generally assumed by the public press, columnists, and radio commentators, if not by the general public, that this Trade Agreements Act deals only with tariff rates and excise taxes, and that trade agreements negotiated merely change rates of duty on imports after months of detailed investigation and other months of cautious negotiations with foreign countries. In fact, however, trade agreements already entered into have assumed jurisdiction over international exchange and the regulations of exchange ratios and other exchange controls by this country and foreign nations. They also have dealt with the description or classification of commodities, thus being in position to shift individual interchangeable products from one class or category to another. They have assumed jurisdiction over the whole question of quantitative control measures such as the application of quotas, licenses, permits, and other measures taken by different countries for the regulation of trade. More recently in trade agreements negotiated at Geneva the scope of the general terms has been so extended as to cover a very large part of the rules and regulations developed by the United States and other countries over many years usually found in commercial treaties and having for their purpose the supervision or regulation of international trade. In fact, very considerable segments of the proposed Charter for the

International Trade Organization have now been incorporated in the general trade agreements entered into with many different countries.

As a result of the above procedure, the Congress first delegated to the Chief Executive, within certain limits, control over tariff rates and excise taxes "or other import restrictions." This has been extended to cover a tremendous field of other rules and regulations governing foreign trade. Section 1 (c) of the bill to be extended reads:

As used in this section, "duties and other import restrictions" includes (1) rate and form of import duties and classification of articles and (2) limitations, prohibitions, charges, and exactions other than duties imposed on importation or imposed for the regulation of imports.

Now the Chief Executive has gone a further step in the direction of transferring many responsibilities in this field over to the Economic and Social Council of the United Nations through the formation of an International Trade Organization. Because of this rapid widening of the field of control in the hands of the Chief Executive and delegation of authority to international agencies, responsible only to the Chief Executive and the State Department, the groups which I represent feel that the Congress, who represent most closely the wishes of the people, must exercise its constitutional responsibilities in any new extension of the act in question, and particularly as this applies to all of the rules and regulations governing international economic relations.

It is to be remembered that Congress has undoubted responsibility for the passing of legislation pertaining to the welfare of agriculture and other segments of the Nation. This includes the establishment and maintenance of parity prices for the products of agriculture and many other important economic problems. The constant tendency during the 14 years since the original passage of the Trade Agreements Act, has been for the State Department to assume responsibility for all phases of domestic production, supervision, and regulation, insofar as these can be influenced or controlled through the negotiation of trade agreements with other countries or through the setting up of international agencies for such control.

The group represented by the present witness, after several years of study of this subject, is unanimously of the opinion that the Congress should preserve the national sovereignty of the United States when it comes to delegation of control over domestic economic activities by international agencies and, further, that Congress must provide, with the greatest possible care, all of the criteria or formulas necessary to make sure that those in charge of trade-agreements activities shall not invade the field of agricultural and general welfare within the United States.

During the early years trade agreements were made absolutely binding over a period of 3 years, with continuing application thereafter, and there was no opportunity for a court review or for other relief from injury or threatened injury which might result from concessions granted to foreign countries.

More recently the State Department has introduced what is commonly referred to as an escape clause, which would make it possible to reexamine any concession granted to determine whether errors had been made or whether changing conditions might justify modification.

Our detailed study of this provision indicates that such an escape clause is inadequate unless the original investigation and fact finding has been comprehensive and unless more effective measures are prescribed by Congress to assure domestic agriculture industry, and labor against injury or threatened injury resulting from other control measures included in trade agreements, entirely aside from changes in tariff rates.

Senator BUTLER. Dr. Coulter, has there been any experience in connection with the operation of these escape clauses?

Dr. COULTER. No. There are one or two minor applications. It has just come into existence. It was not even known to exist as an incident to the Mexican agreement. It is only since the Geneva agreement that that has become a general thing.

There has been no time for application except, I believe, that there are now one or two minor applications before the Tariff Commission for investigation.

I am told, however, that there is a considerable number in process of shaping up of requests for study by the Tariff Commission to determine whether threatened injury, even though actual injury has not yet developed in a large way, is not already on the horizon.

I may say in that connection, however, that the thing that is most worrying many domestic industries and branches of agriculture and labor is the fact that the Geneva agreement general agreement clauses prohibiting the use of quotas and many other phases going into the whole realm of international exchange; more than that—money values, and so forth, is disturbing in that it is removing from domestic jurisdiction any control over those matters.

Returning to the brief memorandum:

In the original program it was generally understood that negotiations would be carried on only with the principal supplying foreign country and concessions would be granted to that country in return for equal concessions in the case of any competitive products. On that basis it was believed to be reasonable to extend concessions granted "to all other minor suppliers" without securing from them any equivalent concession.

From year to year that rule has been gradually abandoned in so many cases that it no longer seems to serve as a guide. During the Geneva Conference more than 25 percent of all major concessions granted, representing more than 25 percent in value of imports of major commodities under consideration, were negotiated with countries which were not the principal foreign producers or suppliers and yet the concessions granted were immediately generalized, that is, extended to all other nations, including the largest suppliers who were thereby put in position to benefit greatly, for themselves without reciprocal benefits to us, from concessions granted to the smaller supplier with whom we negotiated. The only exceptions were where specific foreign discrimination is shown to exist against our export trade.

Senator BUTLER. Dr. Coulter, is there any explanation or assumption on the part of people generally as to why the negotiations were made with the smaller suppliers, rather than with the principal suppliers or producers?

Dr. COULTER. Perhaps the principal suppliers were not inclined to make any concessions to us that were of any significant value and yet our Government was so determined to reduce the rates of duty, perhaps the maximum, that they stuck these items on it at Geneva of minor countries which had been brought in at their invitation to Geneva, where negligible concessions could be demanded, and then under the generalization clause, the concessions would be granted to all.

Senator BUTLER. In effect, that would be gaining your point by subterfuge.

Dr. COULTER. By subterfuge; but I want to call your attention to the fact that during the testimony before the Ways and Means Subcommittee, Mr. Clayton, who is present and who I note by the schedule is to appear after me, referring to my statement said that actually, while there might be a number of cases where less than the principal supplier was the principal negotiating country, that was not a big factor and that in value of the commodities imported, the figure was much smaller.

I will call your attention, therefore, to the fact that this is now an absolute tabulation, the details of which I can furnish the committee if they desire it. The only way it can be changed from more than 25 percent of all major concessions granted and more than 25 percent of the imports of major commodities under consideration is because if you include sugar from Cuba, which is a straight bilateral reciprocal trade agreement, the reductions in which case are not generalized, that is a true reciprocal trade agreement. When those are properly eliminated and when we are considering that the concessions in the case of whisky were originally made not to the principal supplier, the United Kingdom, but in a trade agreement 3 years earlier with Canada after the repeal—on the theory that we wanted to get in whisky indirectly if we couldn't get it directly, and that lower tariffs might apply—when those two adjustments were made, the actual figures which I give you are tabulated from the records.

As a result of this policy all branches of American agriculture and industry are rapidly being enmeshed in a network of agreements administered by international agencies under control of the Executive and State Department and beyond reach of domestic interest involved, even though at the same time Congress is striving to provide other forms of protection for domestic economic life, such as parity prices for agriculture, minimum wages, social security, safety, antisweatshop, healthy environment, and so forth.

For that, Congress is being deprived of the right to advance our own standards and maintain our own economic structure by the writing of rules and regulations governing international trade and transferring jurisdiction into the hands of foreign groups, making it impossible for us to proceed with our own domestic production and programs.

For reasons already briefly noted, the members of the industry which the present witness represents look with favor upon the bill passed by the House of Representatives extending the trade agreements for a period not beyond June 30, 1949, the reason for that being that it must tie in with our European recovery program, and it must tie in with the Charter for the International Trade Organization.

If this is lapped over 2 or 3 years beyond that, then you have a fait accompli of a fraction of the program. The whole thing has to be brought up next year when your European relief is extended or changed. It has to be brought up next year anyhow when the charter is brought into the picture because half or two-thirds of the charter is already being incorporated in the trade agreements being negotiated.

We very definitely feel that the Congress should designate the Tariff Commission as the fact-finding body which shall follow the rules and regulations already stipulated in the Tariff Act of 1930. We have the machinery there to function fully.

We believe this would place at least a degree of confidence before concessions are granted to other countries rather than depending upon a search for emergency relief, through escape clauses, after injury has occurred or is definitely threatened.

Finally, we believe that Congress should require all new trade agreements negotiated as well as major revision of outstanding agreements to be submitted to the Congress for inspection not only as to rate changes but as to other general provisions before these agreements or changes become effective through Presidential proclamation.

In other words, if there is no inspection by Congress, there is no examination of all the other clauses and provisos brought into the trade agreements. If this provision is omitted, then concessions should not exceed those found to be reasonable by the Tariff Commission unless the President attached a public statement indicating the reasons for larger concessions.

If terms of proposed new agreements are not made subject to inspection by Congress, then all general regulations included should be subject to suspension—escape—when the general Charter for the International Trade Organization is acted upon by Congress unless these are already contained in existing laws or in commercial treaties.

In other words, I am trying to get at there, in behalf of my industry, the point that when these general provisions extend beyond existing laws, legislative authorizations, and when they extend beyond commitments made in commercial treaties, then they are attempting legislation by an executive agency, committing the Congress and the country to something beyond their right and in some cases actually repealing legislation now on the statute books and going contrary to treaty agreements already in existence.

I tried to be very brief. There are many other points that I obviously would be glad to develop if time permitted, in this same vein, if the committee had the time.

Senator BUTLER. We appreciate your cooperation, Dr. Coulter.

Dr. COULTER. These are a few special points.

Senator BUTLER. Any questions, Senator George?

Senator GEORGE. I have none.

Senator MARTIN. I have none.

Senator BUTLER. Thank you very much for coming and giving us your presentation, Doctor.

Dr. COULTER. Thank you, sir.

Senator BUTLER. Mr. John Breckinridge, please.

You may identify yourself to the reporter, and proceed.

We are going to have to go to the floor on account of a vote before too long, and therefore we will have to rush a little bit.

**STATEMENT OF JOHN BRECKINRIDGE, WASHINGTON, D. C.**

Mr. BRECKINRIDGE. Mr. Chairman, my name is John Breckinridge, an attorney in the Munsey Building, here in Washington, D. C. I am making this statement on behalf of the following farm-producer organizations: California Fruit Growers Exchange; Florida Growers Association; Southeastern Pecan Growers Association; Calavo Growers of California; Mushroom Growers Cooperative Association of Pennsylvania; Cultivated Mushroom Institute of America, Inc.; Northwest Nut Growers; California Walnut Growers Association; California Almond Growers Exchange; United States Hop Growers Association; Cherry Growers, and Industries Foundation.

Most, if not all, of these groups have communicated to this committee a brief statement of their position and have urged the passage of H. R. 6556 in substantially its present form.

Each would like to have had a representative appear before this committee, but in view of the necessarily limited length of the hearings, they have asked me to make a joint statement in their behalf to present their views and to cover the agricultural foreign trade situation generally.

We have an extension of the trade agreements program, in modified form, through June 30, 1949.

We favor the basic provision of H. R. 6556 which gives the Tariff Commission authority to fix the maximum and minimum tariff rates within which the President can negotiate and proclaim modified tariff rates. However, the limits set by the Tariff Commission should be binding on the President. If they are made binding on the President, we do not believe there will be any need for a congressional veto.

This would do no more than write into legislation the very reasonable suggestion made to the President, last year, by Senator Vandenberg and the chairman of this committee that the President, by Executive order, authorize the Tariff Commission to fix the "peril points" beyond which tariffs should not be lowered or raised. The President refused to adopt this suggestion and made it perfectly clear that the administration will never adopt, of its own volition, any reasonable standards for adjusting tariff rates.

If the limits set by the Tariff Commission are not made mandatory, it would be a waste of time to set them. The record to date and testimony before this committee makes it abundantly clear that the President would not pay the least attention to them if they were not made binding.

We take this position not because we favor a continuation of Executive control over our national tariff policy, but because we believe that it is a practical compromise and a step in the right direction pending a thorough study and revision of our foreign trade and tariff policies by the next Congress along with its consideration of the proposed International Trade Organization charter which apparently will be submitted to the Eighty-first Congress.

In saying we think it is a step in the right direction, we do not think that we should go back necessarily to the old system, to the 1930 tariff rates, or back to anything else. We think that the Congress should take a new look at our whole tariff policy.

This question is debated entirely too much on the complete extremes. Anybody who suggests that the existing tariffs are not ex-



actly right to every dotting of every "i" and crossing of every "t" is automatically assumed to oppose any imports whatsoever, which is the farthest thing in the world from being correct. Our tariff policies need an over-all study and revision.

I would like to refer to what Congressman Javits said this morning. He opposed the present law because it would shift the emphasis from foreign policy to domestic considerations. In our mind that is the exact reason why you should have a change in policy.

The Constitution created our Federal Government on the basis of certain distinct and separate powers for the Congress and the Executive. The Constitution left the formulation of foreign policy and the conduct of foreign affairs to the Executive. However, the framers specifically entrusted to the Congress the power to lay and collect import duties—tariffs. The framers of the Constitution did not intend that the tariff-making power be used as an instrument of foreign policy or they would have entrusted it to the Executive. The Constitution fixed our tariff policy as one of primary domestic concern to be exercised or controlled exclusively by the Congress.

Let us examine just a little how that policy, how the power now existing in the President is being used.

The President in his March 1, 1948, message to Congress asking for a 3-year extension of the act in its present form said, "For 14 years the Reciprocal Trade Agreements Act has been an essential element of United States foreign policy." On the 24th of March 1948 Secretary of State Marshall described the act as the "cornerstone of our foreign economic policy," and said that, "through it we have exercised a significant part of our leadership in world economic affairs."

Thus, it is now apparent that the tariff-making power will be administered by the executive branch solely as an instrument of foreign policy. The controlling considerations in fixing tariff rates will be international and political rather than economic and domestic. The interest of most American farmers and small businesses will be subordinated to and sacrificed for the attainment of international and political objectives of the State Department.

In our opinion the act has always been so used but only recently has the executive branch admitted it. In 1934 and subsequently the act was falsely sold to Congress and to the public as a good business deal through the deceptive use of the word "reciprocal." It has repeatedly been described as nothing more than a "Yankee horse-trading proposition" to obtain benefits for American exporters without causing injury to any domestic producer. We were told that tariff concessions would be granted only in return for trade, and I emphasize trade, concessions of equivalent value to American exporters. The American public is still being told that, and still believe that for every tariff concession we have given, there is presently in effect a "reciprocal" trade concession from the other country involved. As the members of this committee well know, nothing could be further from the truth.

To prove the lack of reciprocity or domestic, economic considerations in the past administration of trade agreements we need only refer to a recent letter from the State Department addressed to the chairman of this committee concerning the trade agreement with Mexico. In 1942 we negotiated an agreement with Mexico and each country made a long list of tariff concessions. During 1947 Mexico

withdrew every concession made in that agreement—see attached letter of February 24, 1948, from the State Department—but the State Department has not reciprocally withdrawn the concessions made to Mexico.

At this point I would like to request the introduction into the record of a copy of a letter, my letter to Senator Millikin of February 24, 1948, enclosing a copy of a letter from the State Department addressed to me, February 24, in which the State Department outlines the various actions taken by Mexico in withdrawing step by step every concession that was made to the United States.

Senator BUTLER. It will be inserted in the record.

(The letter is as follows:)

POPE, BALLARD & LOOS,  
Washington, D. C., February 24, 1948.

Re: Mexican trade agreement.

HON. EUGENE D. MILLIKIN,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington D. C.

MY DEAR SENATOR MILLIKIN: Many thanks for your letter of February 22, 1948. I, too, have requested a report from the State Department concerning this matter of the Mexican trade agreement. I am enclosing the State Department letter in response to my request, together with an enclosed table listing "Measures taken by the Government of Mexico pursuant to provisions of the trade agreement between the United States and Mexico which affects products listed in schedule I." I am not enclosing copies of the press releases mentioned because they are not necessary to an understanding of the enclosed material. Nor am I enclosing a copy of the Statement by the American Republics Division because it merely lists the withdrawal by Mexico of all concessions not listed in the enclosed memorandum. If you are interested in the press releases, etc., not enclosed, I can get them for you.

I hope you will be able to study this letter and the attached memorandum prepared by the State Department.

After such study it would be well to answer the following questions:

- (1) Is there any concession left which Mexico made under the agreement?
- (2) Is there any agreement left?
- (3) Should not the President immediately terminate his proclamation of December 28, 1942, and withdraw the American concessions made under the 1942 agreement?
- (4) Should not any negotiation with Mexico be an entirely new agreement?
- (5) Before any such negotiations, should not all persons interested in imports from Mexico be given an opportunity to appear before the CRI and express their views.

If the State Department does not adopt our view and terminate the concessions made to Mexico under the terminated agreement, we are preparing a supplemental brief to submit at the public hearings before the CRI on February 27 in which we are pointing out that the concessions on fluorspar made to Mexico threaten very serious injury to domestic producers and our national security and request that the concession be withdrawn under the "escape clause," article 11 of the agreement. In view of your past interest in the escape-clause idea, I believe our brief will be of interest to you and we will forward you a copy as soon as it is printed. I believe this will give us an excellent test case to determine whether or not the State Department ever intended to really use the escape clause or whether they merely intended it as a subterfuge and a propaganda instrument to falsely allay the fears of American producers and Congressmen.

Very truly yours,

JOHN BRECKINRIDGE.

P. S.—Chairman Lynn R. Edminster just made his statement opening the public hearings before the CRI. He made two significant statements:

1. "Discussion of United States tariffs and of imports into this country from Mexico are outside the scope of the present hearings."

2. "The hearing today is to afford opportunity for interested persons to present information \* \* \* on any articles of actual or potential interest in the export trade of the United States with Mexico."

In view of the enclosed report from the State Department, is it appropriate, under the Reciprocal Trade Agreements Act, to which the administration looks for its authority to conduct these hearings and the proposed negotiations with Mexico, to so exclude all American citizens interested in imports from Mexico an opportunity to present their views? Is it appropriate even if these negotiations be considered only as the revision of the 1942 agreement with Mexico?

J. B.

DEPARTMENT OF STATE,  
Washington, February 24, 1948.

MR. JOHN BRECKINRIDGE,  
*Pope Ballard & Loos, Washington, D. C.*

MY DEAR MR. BRECKINRIDGE: I have received your letter of February 20, 1948, requesting detailed information with respect to action affecting products listed in schedule I of the trade agreement in force between the United States and Mexico which the Government of Mexico has taken pursuant to provisions of the agreement.

Such measures are listed in the enclosed memorandum, and the data regarding the scheduled products affected by them have been made as detailed and comprehensive as the time limit mentioned in your letter will permit.

A decree published in May 1944 provided the Mexican Government with legislation pursuant to which it was intended to impose an import license requirement on specified products. The measure is described on page 6 of the enclosed memorandum. No press release on this subject was issued by the Department. However, information concerning the various additions to and deletions from the list of products subjected to the license requirement was published by the Department of Commerce in *Foreign Commerce Weekly* as it was received.

On July 11, 1947, in the interest of checking the heavy drain on its foreign exchange reserves caused by continued heavy imports, the Mexican Government took action to suspend the importation of certain products regarded as nonessential, and also to increase import duties on additional products. The action with respect to the suspension of imports of products listed in schedule I of the trade agreement was taken by the Government of Mexico after full consultation with representatives of this Government pursuant to article X of the agreement. I enclose a copy of a press release on this subject (No. 571, July 11, 1947) which was issued jointly by the Departments of State and Commerce. A list of the scheduled products affected is given on pages 1 through 4 of the enclosed memorandum.

On November 13, 1947, the Mexican Government issued a decree, effective 30 days thereafter, increasing import duties on approximately 5,000 fractions of its import tariff. No trade-agreements items were affected. I mention this action with a view to giving you as complete an outline as possible of recent measures affecting Mexican import duties.

In press release No. 968 of December 13, 1947, a copy of which is enclosed, the Department announced that the United States Government had consented to the immediate provisional conversion by Mexico of specific rates of duty on products listed in schedule I to compound rates as levels equivalent to those prevailing in 1942, when the agreement was signed. This was a temporary measure taken, for the reasons set forth in the press release, pending the more definitive revision of schedule I, for which announcement of intention to negotiate was issued on December 30, 1947 (press release No. 996, copy enclosed, together with a copy of press release No. 68, January 29, 1948, announcing extension of the period for presenting statements to the Committee for Reciprocity Information.)

The action to convert the specific rates of duty on scheduled products to compound rates affected 132 tariff fractions listed in schedule I. These are given on pages 2 through 12 of the enclosed statement prepared by the American Republics Division of the Department of Commerce and issued on December 16, 1947. A penciled notation of the trade-agreement rates has been added.

By a decree published in the *Diario Oficial* of December 15, 1947, the Mexican Government announced the conversion of the specific rates of duty on 12 fractions included in schedule I to compound duties at levels higher than those prevailing in 1942. That action, which followed consultation with representatives of the United States Government, was taken pursuant to article XI of the agreement. The products affected and the new rates of duty are shown on pages 5 and 6 of the enclosed memorandum. This measure is referred to on page 1 of the December 16 statement of the Department of Commerce.

By another decree published on December 16, the Mexican Government added three additional products to the list of items the importation of which had been suspended by decree published July 11. This action, pursuant to article X of the agreement, followed consultation between representatives of the two Governments. Please refer to page 5 of the enclosed memorandum.

It is hoped that the information given in this letter and the enclosures will be useful to you in the preparation of your statement for the public hearings in connection with the negotiations for the revision of schedule I of the trade agreement with Mexico.

Sincerely yours,

DANIEL M. BRADDOCK,  
Acting Adviser, Division of Commercial Policy  
(For the Secretary of State).

Measures taken by the Government of Mexico pursuant to provisions of the trade agreement between the United States and Mexico which affect products listed in schedule I:

#### ARTICLE X. QUANTITATIVE RESTRICTIONS

I. Decree published in Diario Oficial of July 11, 1947, prohibited the importation of the following products listed in schedule I:

Tariff fraction	Brief description	Unit	Trade-agreement rate
			<i>Pesos</i>
1.20.19.	Canned animal foodstuffs.	L. K.	.70
2.13.03.	Fresh peaches.	G. K.	.25
2.13.04.	Fresh fruit.	G. K.	.25
2.13.06.	Fresh apples.	G. K.	.30
2.13.08.	Fresh pears.	G. K.	.25
2.13.09.	Fresh grapes.	G. K.	.25
2.13.13.	Sliced dried fruits.	G. K.	.20
2.13.15.	Prunes.	G. K.	.40
2.13.17.	Raisins.	G. K.	.50
2.13.24.	Canned fruits.	L. K.	2.00
2.71.10.	Furniture of wood, not upholstered.	L. K.	.90
2.71.11.	Furniture of wood, upholstered.	L. K.	1.20
2.71.20.	Furniture of ordinary wood, not upholstered.	L. K.	.50
2.71.21.	Furniture of ordinary wood, upholstered.	L. K.	.75
3.34.70.	Glass or crystal, to 300 kilograms.	G. K.	.70
3.34.71.	Glass or crystal, over 300 kilograms.	G. K.	.60
3.54.53.	Refrigerators, up to 200 kilograms.	L. K.	.40
3.54.54.	Refrigerators, over 200 kilograms.	L. K.	.35
3.54.56.	Furniture of iron or steel, up to 10 kilograms.	L. K.	.30
3.54.57.	Furniture of iron or steel, over 10 kilograms.	L. K.	.60
3.54.58.	Refrigerators using liquid or gaseous fuels, up to 200 kilograms.	L. K.	.40
3.54.59.	Refrigerators, same, over 200 kilograms.	L. K.	.35
4.17.10.	Prepared cotton cloth.	L. K.	1.70
4.13.10.	Cotton velvet.	L. K.	4.90
4.18.11.	do.	L. K.	6.00
4.50.02.	Wool carpets.	Sq. M.	6.30
4.50.11.	do.	Sq. M.	11.20
4.57.01.	Velvet, except silk.	L. K.	8.10
5.02.06.	Cotton wearing apparel.	L. K.	14.70
5.02.90.	do.	L. K.	9.30
5.02.92.	do.	L. K.	11.20
5.42.90.	Wearing apparel of animal fiber, except silk.	L. K.	23.00
5.42.92.	Wearing apparel of animal fiber, with embroidery.	L. K.	27.00
5.42.93.	Wearing apparel of animal fiber, with silk embroidery.	L. K.	35.00
5.51.00.	Silk hosiery.	Pr.	1.00
5.61.00.	Hosiery of silk and other fibers.	Pr.	1.00
6.50.10.	Cosmetics.	L. K.	6.50
7.10.30.	Wines, in wood or metal containers.	G. K.	.30
7.10.31.	Wines, in earthenware, glass, etc.	G. K.	.50
7.11.06.	Rye and Bourbon whisky, in wood or metal containers.	L. K.	2.25
7.11.07.	Rye and Bourbon whisky, in glass, etc.	L. K.	2.50
7.11.08.	Rye and Bourbon whisky, over 55 degrees, in metal or wood containers.	L. K.	3.00
7.11.09.	Rye and Bourbon whisky, over 55 degrees, in glass, etc.	L. K.	3.25
7.53.30.	Advertisements, calendars, etc.	L. K.	3.00
8.40.01.	Radio receiving apparatus.	L. K.	1.00
9.10.00.	Photographic apparatus.	L. K.	1.00
9.10.01.	Photographic apparatus with radio.	L. K.	1.00

NOTE 1.—Eventual establishment of quotas was envisaged by the decree.

NOTE 2.—The foregoing items will be subject to higher rates of duty than those specified in schedule I when the prohibition is lifted. Information regarding the new rates (published in the Diario Oficial of December 31, 1947) may be obtained at the Department of Commerce.

Tariff fraction	Brief description	Unit	Trade-agreement rate
			<i>Pesos</i>
9.52.00	Passenger automobiles, up to 4 cylinders	Each	250.00
9.52.01	Passenger automobiles, 4 to 6 cylinders, up to 6 passengers	Each	700.00
9.52.02	Passenger automobiles, 4 to 6 cylinders, capacity 6 to 9	Each	700.00
9.52.03	Passenger automobiles, 6 to 8 cylinders	Each	700.00
9.52.04	Passenger automobiles, 6 to 8 cylinders, capacity 6 to 9	Each	700.00
9.52.05	Passenger automobiles, more than 8 cylinders	Each	2,000.00
9.52.06	Omnibusses	Each	1,600.00
9.52.10	Trucks, up to 4 cylinders	Each	100.00
9.52.11	Trucks, more than 4 cylinders	Each	300.00
9.52.12	Trucks	Each	300.00

II. Decree published in Diario Oficial of December 16, 1947, added the three following schedule I items to the list of products the importation of which was suspended by decree published July 11, 1947 :

Tariff fraction	Brief description	Unit	Trade-agreement rate
			<i>Pesos</i>
2.43.00	Cigarettes	L. K.	7.00
9.52.31	Automobile chassis	Each	100.0
9.56.35	Automobile wheels with tires	G. K.	1.60

ARTICLE XI. THE SAFEGUARDING CLAUSE

Decree published in Diario Oficial of December 15, 1947, converting the specific rates of duty on the following products listed in schedule I to compound rates at levels higher than the ad valorem equivalents of the rates in effect when the agreement was signed on December 23, 1942 :

Tariff fraction	Brief description	Unit	Trade-agreement rate	New rate specific and ad valorem	
				<i>Pesos</i>	<i>Percent</i>
3.33.00	Porcelain ware	G. K.	0.80	0.30	30
3.92.00	Iron sanitary fixtures, over 5 kilograms	G. K.	.25	.20	25
3.92.03	Bathtubs, over 5 kilograms	G. K.	.25	.20	25
3.92.10	Vitreous sanitary fixtures, over 5 kilograms	G. K.	.20	.20	10
3.92.11	Water closets	G. K.	.20	.15	15
6.61.21	Varnishes and paints, alcohol or ether base	G. K.	.60	.60	15
6.61.28	Prepared varnishes and paints up to 5 kilograms	G. K.	.60	.60	15
6.61.29	Prepared varnishes and paints, over 5 kilograms	G. K.	.40	.40	15
6.63.07	Tire repair kits	L. K.	1.00	.50	60
8.61.20	Rubber belting, not endless	G. K.	.75	1.10	25
8.65.28	Made-up packing of rubber	G. K.	.40	.85	20
8.65.29	Made-up packing, not specified			.20	3

OTHER ARTICLES

A decree dated April 14, 1944, and published in the Diario Oficial of May 12, 1944, provided that imports into Mexico would be subjected to a license requirement for the duration of the emergency period. Article 4 of the decree specified that it would become effective upon publication of the first list of products to be so restricted. That occurred in July 1944, when lard imports were placed under control. Approximately 120 tariff fractions, including about 20 schedule I products, were from time to time added to the list of products subject to the license requirement by the publication of Treasury circulars.

The decree was regarded by the Mexican Government as an emergency measure (article XVII) imposed to protect Mexico's essential interests, and the United States was prepared to concede the emergency nature of the controls

in certain instances (lard, during a period of short supply, for example). But the emergency nature of the control in all cases was not accepted by the United States, which reminded the Mexican Government of its obligation under article X of the agreement not to impose quantitative restrictions on scheduled products, except for reasons specified in the article.

By March, 1946, the Mexican Government had waived the license requirement for all of the products listed in schedule I except lard and plywood. At present, plywood (tariff fraction No. 2.50.10) is the only scheduled product which remains subject to import license pursuant to the April 15, 1944 decree.

Mr. BRECKINRIDGE. In its letter of March 17, 1948, to Senator Millikin attempting to explain its failure to reciprocally withdraw our concessions to Mexico, the State Department said:

It would have added fuel to the flame of anti-United States feeling which was already being fanned in Mexico, making much more difficult the achievement of United States objectives at Habana and Bogota.

I wonder what that has to do with reciprocal trade.

I would also like to have inserted the above-mentioned letter from the State Department, together with a letter of mine dated April 6, addressed to Senator Martin, commenting thereon.

Senator BUTLER. It will be included in the record.

(The letter is as follows:)

DEPARTMENT OF STATE,  
Washington, March 17, 1948.

HON. EUGENE D. MILLIKIN,  
United States Senate.

MY DEAR SENATOR MILLIKIN: I have received your letter of February 22, 1948, with which you enclosed a copy of a communication from Mr. John Breckinridge, of Pope, Ballard & Loos, Washington, D. C., representatives of the American producers of fluorspar, relating to forthcoming negotiations with Mexico for the revision of schedule I of the existing trade agreement with that country. I may add that Mr. Breckinridge has provided the Department with a copy of the letter on the same subject which he addressed to you on February 24.

In his letters, Mr. Breckinridge referred to the brief and supplementary briefs which his organization submitted to the Committee for Reciprocity Information on behalf of United States producers of fluorspar for consideration in connection with forthcoming negotiations with Mexico for a revision of schedule I of the existing agreement. Schedule I relates to the customs treatment accorded United States products upon importation into Mexico. He implied that his organization would be denied the right to appear at the public hearings before the committee in view of the fact that fluorspar is a product imported from Mexico rather than a product exported to Mexico, and hence not within the scope of the negotiations. He did, however, appear on February 27.

Mr. Breckinridge has taken the position, in his letters and the briefs submitted for the fluorspar producers, that the trade agreement with Mexico, signed December 23, 1942, was in effect terminated by action taken by the Mexican Government on December 20, 1947, and that this Government should, therefore, take immediate steps to withdraw the concessions granted to Mexico in the agreement, including those on fluorspar, which threaten serious injury to domestic producers.

I believe that it will be helpful to you, in your consideration of Mr. Breckinridge's letters, to know the reasons underlying the action taken by the Mexican Government as well as that taken by this Government which led to the announcement of the forthcoming negotiations.

Several times during 1945 and 1946 the Mexican Government urged a revision of the trade agreement which would involve the adjustment of the Mexican specific duties in schedule I to restore their protective incidence (impaired by price increases) to that in effect when the agreement was signed, and which would also involve further tariff concessions by the United States. The Mexican Government hoped that such a revision would enable it to meet two acute domestic problems, namely, an imbalance in its trade with the United States resulting in the lowering of its foreign exchange reserves to admittedly inadequate levels, and

strong pressure for increased protection of Mexican industries. This Government indicated reluctance to undertake this kind of negotiation and the Mexican Government made no concrete proposals until the United States had become engrossed in preparations for the Geneva negotiations and was not in a position to undertake any others.

On July 11, 1947, when its foreign exchange reserves had become dangerously low, the Mexican Government suspended entirely the import of a large number of products, including some products in schedule I of the agreement. This action was permissible, in view of the exchange situation, under article X of the agreement.

On November 13, 1947, as part of its program to remedy the situation, the Mexican Government decreed a general increase in all import duties not covered by the trade agreement to compound duties, i. e., a combination of a specific and an ad valorem duty, which would bring the element of protection to the level existing in 1942 or higher. The decree became effective on December 13. Approximately 5,000 fractions of the Mexican tariff were involved. That measure had the effect of increasing the already strong pressure for similar action with respect to products included in schedule I of the trade agreement.

The Mexican Government also invoked the escape clause of the agreement (article XI), and on December 15, 1947, after consultation with representatives of this Government, converted the specific rates on 12 fractions included in schedule I to compound duties designed to accord a greater element of protection than that accorded by the specific rates shown in the schedule when the agreement first went into effect. The rates finally announced were, it should be noted, substantially less than those desired by the Mexican Government.

During this time pressure in Mexico for a full revision of the trade agreement increased. Mass meetings were held in Mexico City denouncing the agreement as an instrument by which the United States was oppressing Mexico. It became apparent that Mexico would take unilateral action to increase its duties on schedule I items, leaving the United States no alternative but to denounce the agreement.

It was the view of this Government that any such result would have been most unfortunate for the United States. It would have lost for the United States the opportunity to check the amount by which the Mexicans would increase the rates on schedule I items and to obtain compensation for such increases by further bargaining. It would have involved the increase of United States tariff rates on schedule II items, thus adding significantly to Mexico's admittedly acute foreign exchange shortage. It would have added fuel to the flame of anti-United States feeling which was already being fanned in Mexico, making much more difficult the achievement of United States objectives at Habana and Bogota. For these reasons, the United States finally consented to the provisional conversion of the specific rates of duty on remaining schedule I items to compound duties which would provide protection approximately equivalent to that provided by the duties in the schedule when the agreement was put into effect. In return, Mexico agreed to a satisfactory basis for negotiating a revision of schedule I.

I enclose a copy of the Department's press release No. 996 of December 30, 1947, announcing the intention of this Government to negotiate, pursuant to the Trade Agreements Act, the definitive revision of Schedule I. The reason why the negotiation is limited to schedule I is that under the circumstances this Government did not feel disposed to grant Mexico any further tariff concessions. This negotiation is intended to restore the balance of schedule I by revision of the new rates on schedule I items and obtaining of concessions on new items. The United States is in no way precluded from denouncing the entire agreement or revising schedule II by withdrawal of concessions should satisfactory adjustment of schedule I prove impossible. If such revision becomes necessary, the customary procedure of public hearing will be followed.

What I have said is not of course meant to imply that there would be no way in which fluorspar producers or producers of other products in schedule II could obtain relief in the event imports should, as a result of a concession, constitute a real threat of serious injury to them. Article XI of the agreement can always be invoked on the basis of proper facts.

I hope the foregoing comments will be helpful to you in your consideration of the problem referred to by Mr. Breckinridge.

Sincerely yours,

CHARLES E. BOHLEN, *Counselor*  
(For the Secretary of State).

Re Reciprocal Trade Agreements Act and State Department deception thereunder

POPE BALLARD & LOOS,  
Washington, D. C., April 6, 1948.

HON. EDWARD MARTIN,  
Senate Finance Committee, Senate Office Building,  
Washington, D. C.

DEAR SENATOR MARTIN: You will recall that I have written you and other members of the Senate Finance Committee under dates of February 19, 21, and 23, 1948, concerning the 1942 trade agreement with Mexico, Mexico's termination of that agreement, the effect of such termination on American producers of flourspar, as well as upon other American producers, and, more generally, the State Department policy of administering the Reciprocal Trade Agreements Act. With my letter of February 19, I enclosed a copy of our brief presented to the Committee for Reciprocity Information on behalf of American producers of flourspar. These letters, together with the flourspar brief, all appear in the March 3, 1948, Congressional Record at pages A1384, 2118, and 2119.

The flourspar brief together with these letters were forwarded to the State Department by Senator Millikin with the request that the State Department report to him concerning its views on the matter. The State Department made its report to Senator Millikin in a letter dated March 17, 1948, signed by Mr. Charles E. Bohlen, counselor of the State Department, a copy of which is enclosed. I believe the State Department report is very significant and deserves the careful study of your committee and of every Congressman in their consideration of the President's request for a 3-year extension, as is, of the Reciprocal Trade Agreements Act. However, complete understanding of the implications contained in the State Department report require a study of our flourspar brief and my previous letters referred to above. I should emphasize here that the specific effect on flourspar is relatively unimportant except as an example of the manner in which the State Department has administered the act. The important point in this whole matter is the principle involved and the policy which the State Department is admittedly following.

I believe you, and everyone, will agree that Congress originally intended, and has always intended, the Reciprocal Trade Agreements Act to be a hard-boiled instrument of Yankee horse trading under which the United States would grant tariff concessions if, and only if, reciprocal tariff concessions or quota concessions of equivalent value to exporters of the United States were granted and kept in force by the foreign country party to any reciprocal trade agreement negotiated by the State Department. Certainly that is what the American public and Congress have been led to believe by the State Department. There is nothing in the legislative history of the act or its repeated extensions or in statements made by the State Department that the act was intended as a political bargaining instrument under which American tariffs could be cut for purely political considerations, or that it was intended as a congressional authorization for a unilateral tariff-cutting policy to be administered by the State Department.

You will recall that in my previous letters, referred to above, I pointed out that the State Department was following a policy, in administering the act, of unilateral tariff cutting. I endeavored to prove this statement with various examples and cited the State Department action in this Mexican case as final and conclusive proof of my statement. Events subsequent to the writing of these letters also seem to substantiate that contention. The State Department's apparent determination to proceed with putting into effect the tariff concessions tentatively made to Czechoslovakia in the Geneva agreement even after that country has been taken over by Russia is an example.

I also stated in my letters that the State Department policy favored many of our large mass-production industries at the expense of the American farmers and American small-business men. I have subsequently written two letters to Senator Hawkes of your committee relating facts which I believe substantiate this statement. These letters appear at pages A2180 and A2181 of the April 1, 1948, Congressional Record.

I have gone to some length in trying to substantiate the contention that the State Department is using the Reciprocal Trade Agreements Act to implement a policy of unilateral tariff cutting—a policy which was never contemplated or authorized by Congress. The State Department, of course, has attempted in the past to accomplish this policy by pacifying Congress and the public with statements that the agreements are actually reciprocal in their operation and effect.



Only recently has the State Department been so bold as to attempt such a negotiation as they are now conducting with Mexico or to publicly admit that the agreements are not actually reciprocal and that their basic considerations in negotiating an agreement with a foreign country are political rather than a businesslike reciprocal reduction of tariffs.

I believe a careful study of the enclosed State Department report to Senator Millikin proves all of the contentions I have made. You will notice that the State Department does not deny any of these contentions, and that the considerations given as a basis for failure to reciprocally withdraw the American tariff concessions made to Mexico in the now terminated 1942 agreement are primarily political considerations which are not authorized or contemplated by the Reciprocal Trade Agreements Act.

You will also note that the considerations cited by the State Department as underlying the action taken by the Mexican Government in withdrawing the concessions made to the United States in the 1942 agreement are all inconsistent with the congressional policy and purpose of the Reciprocal Trade Agreements Act. Yet the State Department admittedly has agreed in each case and authorized Mexico to take such action.

Mexico has withdrawn all of the concessions made in the 1942 agreement and has greatly increased all duties on items of import from the United States which were not covered in the 1943 agreement. Yet the concessions made to Mexico in the 1942 agreement remain in effect. Certainly one cannot find anything reciprocal in such an arrangement which was agreed to all along the line by the State Department.

The State Department states that it hopes, in the current negotiations with Mexico, to obtain some concessions from the new and greatly increased rates of duty. Even if the State Department succeeds in accomplishing this desire, the resulting level of duties will be in excess of those existing in 1942 prior to the agreement, and there would still be no reciprocity involved in the trade relations between the United States and Mexico and certainly not in the alleged trade agreement. Certainly arrangements such as this and negotiations such as the current negotiations with Mexico were never contemplated by Congress in passing or extending the Reciprocal Trade Agreements Act.

The State Department cites as considerations for its failure to withdraw concessions made to Mexico the following:

"It was the view of this Government that any such result would have been most unfortunate for the United States. It would have lost for the United States the opportunity to check the amount by which the Mexicans would increase the rates on schedule I items and to obtain compensation for such increases by further bargaining. It would have involved the increase of United States tariff rates on schedule II items thus adding significantly to Mexico's admittedly acute foreign exchange shortage. It would have added fuel to the flame of anti-United States feeling which was already being fanned in Mexico, making much more difficult the achievement of United States objectives at Habana and Bogota. For these reasons, the United States finally consented to the provisional conversion of the specific rates of duty on remaining schedule I items to compound duties which would provide protection approximately equivalent to that provided by the duties in the schedule when the agreement was put into effect." (That is to duties which were in effect prior to the 1942 agreement.)

I believe that you will agree that none of these reasons cited by the State Department involve reciprocal tariff concessions. Also, I believe you will agree that none of the reasons cited are authorized under the Reciprocal Trade Agreements Act as a basis for cutting United States tariffs or for leaving them at a reduced level to which they were cut under a former trade agreement which has been terminated by the foreign government involved. The reasons cited by the State Department sum up to purely political considerations which result in the unilateral reduction of United States tariffs for the purpose of furthering the objectives which the State Department has been striving for at Habana (the IFO Charter) and Bogota (perhaps a Latin-American recovery program). Incidentally, none of the objectives which the State Department is so striving for and for which they are using the Reciprocal Trade Agreements Act to help accomplish, have been authorized by Congress. Certainly that is not reciprocal trade bargaining.

The problem boils down to this. Did Congress contemplate and does the Reciprocal Trade Agreements Act authorize the President to unilaterally reduce American tariffs?

The Reciprocal Trade Agreements Act involves a questionable surrender by the legislative to the executive of its constitutional duty to fix American tariff rates on imports. The delegation of that power to the President should be strictly construed and carefully checked by the Congress to make certain that the executive branch does not exceed its authority or use it in a manner other than that intended by the Congress.

The considerations cited by the State Department in justification of the manner in which it has administered the act may be entirely sound and such political considerations may justify a national policy of unilaterally lowering tariffs. For example, conditions of today may, if properly presented, justify the United States in eliminating all tariffs on goods imported from Mexico and the increasing by Mexico of all tariffs on imports into that country from the United States. However, such a policy is not authorized by the Reciprocal Trade Agreements Act.

If such a policy is justified, and I will not argue the point here, the reasons and justification for such a policy should be presented to Congress for appropriate action. If such a policy is justified, it must be authorized and implemented by some legislative act other than the Reciprocal Trade Agreements Act.

The President should not and the Congress should not permit him to unilaterally reduce tariffs under the authority of the Reciprocal Trade Agreements Act which was intended only for businesslike "reciprocal" tariff reductions.

Sincerely yours,

JOHN BRECKINRIDGE.

Mr. BRECKINRIDGE. Thus it is apparent that political and foreign policy considerations will be paramount in our tariff agreement negotiations with foreign countries. The framers of the Constitution recognized that the tariff policy was one of primary concern to the welfare of domestic producers and a balanced domestic economy. As such they entrusted that power to Congress. They did not intend that import duties should be juggled by the Executive for purposes of political trading or for obtaining foreign agreement to policy objectives of the executive at Bogotá.

I do not believe that the framers of the Constitution ever intended in setting or changing tariffs or other regulations of foreign trade, particularly of tariffs, they intended the United States to have to first go to a foreign country to confer with them as to whether they should do it. If this Congress feels that due to changed conditions such a policy is now justified, that is, of complete control of the tariff policy by the State Department, by the Executive, to be used as solely an instrument of foreign policy, then we think the Constitution should be amended, and that the public should be told what is happening, rather than letting the same thing be accomplished through what they believe is purely business reciprocal trading.

The tariff-making power might properly be delegated to an independent and impartial agency responsible to Congress, but we do not believe that the Congress' abdication of that power to the Executive where it has been used primarily as an instrument of foreign policy has been either wise or proper. And we do not believe that Congress has ever before been fully aware of how the Executive was using or intends using that power—certainly, the general public has not.

It is only recently that the Administration has made it apparent even to a few of us that their primary considerations in negotiating agreements are international foreign policy objectives.

The granting to the Tariff Commission (a nonpartisan agency responsible to Congress) of authority to set the minimum rates below which the Executive cannot lower a tariff rate will assure a reasonable consideration of economic and domestic factors before any foreign policy trading is done by the Executive.

Aside from the wisdom or appropriateness of delegating such power to the Executive, a study of its use during the past 14 years gives ample cause for modifying it and safeguarding its use even for a 1-year extension, pending a thorough study and revision by the Eighty-first Congress. Whatever decision is made by that Congress, we believe that it should define and fix a permanent tariff policy which domestic interests as well as foreign interests can know and understand and count on being permanent—not for just 2 years or 3 years or for the duration of one administration.

We are particularly opposed to the present administration of the tariff policy because the American farmers (with the possible exception of cotton and wheat farmers) have been and will be forced to bear a disproportionate share of the injurious or potentially injurious tariff cuts for the benefits of the big business firms engaged in mass production with relatively low percentage of labor costs. These big businesses hope to export a substantial portion of their production by importing more of what the American farmer and small businessman now produces.

What is the record concerning agricultural tariff cuts since 1934?

First let's see what promises were made to the farmer when the program first was being sold to the public and Congress:

During the 1932 presidential campaign on October 25, at Baltimore, the Democratic presidential candidate gave this assurance to the American people:

Of course, it is absurd to talk of lowering tariff rates on farm products. I know of no excessively high-tariff duties on farm products. I do not intend that such duties shall be lowered. To do so would be inconsistent with my entire farm program, and every farmer knows it and will not be deceived.

A few days after the enactment of the Foreign Trade Agreements Act of 1934, the President on June 15, 1934, wrote the following letter to the Honorable Frank Buck who was then a Congressman representing the Third District of California:

MY DEAR CONGRESSMAN BUCK: I am somewhat surprised and a little amused at the fears you say have been aroused in California by the enactment and the possible administration of the Reciprocal Trade Agreement Act.

Certainly it is not the purpose of the administration to "sacrifice the farmers and fruit growers of California in pursuit of the will-o'-the-wisp" as published reports would make believe.

I trust that no Californian will have any further concern or fear that anything damaging to the fruit growers of that State, or of any other State, will result from this legislation.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

It reaffirms his assurance that no farmer was going to be hurt.

Since that time, foreign trade agreements, consummated with 41 countries (two agreements with several countries) have included major tariff reductions on many hundreds of agricultural products, covering more than four-fifths of all dutiable agricultural imports in 1939.

According to the recent Tariff Commission report entitled "Operation of the Trade Agreements Program" (April 1948), agreements with 27 countries, prior to the 1947 Geneva agreement had reduced the tariff rates on almost three-fourths of the dutiable agricultural products. The value of these products having reduced rates accounted for 73.2 percent of the total dutiable, agricultural imports during 1939. The average tariff reduction on these commodities was 39 percent

with many major items having been reduced the full 50 percent permitted by the law prior to 1945.

Thus, in the face of the promise that "I do not intend that such duties shall be lowered", 73 percent of them were lowered by an average of 39 percent during the years 1934 through 1945.

Congress, in 1945, gave the President authority to cut tariff rates another 50 percent. During 1947 a tariff agreement was concluded at Geneva, Switzerland, with 22 countries, utilizing the further 50 percent authority.

In this Geneva tariff agreement many agricultural products already cut by 50 percent were again cut 50 percent, making a total tariff reduction of 75 percent on rates about which our late President said "It is absurd to talk of lowering" and "I do not intend that such duties shall be lowered."

In total, the Geneva agreement reduced the duties on hundreds of agricultural products the second time and on hundreds of others for the first time. These products cut during 1947 accounted for 42 percent of the total dutiable agricultural imports during 1939.

Combining the effects of the agricultural tariff cuts prior to 1947 and those made at Geneva, the Tariff Commission report shows that 83.6 percent of all dutiable agricultural imports have been lowered, on an average by 50 percent, with many having been lowered by 75 percent.

In the face of the promise that "I do not intend that such duties shall be lowered", even more duties on agricultural products have been lowered than on other classes of products. While 63.6 percent of the agricultural duties have been lowered, only 80.5 percent of the non-agricultural duties have been lowered.

From the foregoing analysis it is evident that almost all agricultural commodities and products have been very drastically affected by the tariff reductions made under the foreign trade agreements program. Not a single tariff on any agricultural product has been increased, although the Trade Agreement Act authorizes increases and, in many cases agricultural producers have appropriately requested and fully justified such increases. In addition to these reductions in duty a substantial number of rates on agricultural commodities and products have been bound (12.7 million dollars worth) which means that they cannot be increased by the President or the Congress without resorting to the drastic action of denouncing a foreign trade agreement or by the very questionable exercise of escape clauses which have been inserted in the more recent agreements. Furthermore many agricultural items that were on the free list of the 1930 tariff act have been frozen in that status, prohibiting the imposition of a duty by Congress should that become necessary.

At a hearing held by the House Committee on Agriculture during the week of April 21, 1947, the Secretary of Agriculture was asked to give a single example of a foreign trade agreement that had been to the advantage of the American farmer. He said that he could not think of any at that time. He was then asked if he would not look into the matter and see if he could find one. He said he would and would report to the committee the result of his search. As far as is known he has never reported to that committee a single foreign-trade agreement that can be proved to have resulted in any advantage to the average American farmer.

Some foreign duties have, of course, been reduced on American agricultural exports. However, on some of them such as wheat, the foreign demand is so great that foreign duties have no restrictive effects upon them for the present. In most other cases foreign reductions in agricultural duties have been nullified by exchange controls, quotas, embargoes and other unilateral administrative action. In many cases, foreign countries have announced import embargoes or quotas simultaneously with the announcement of reduced duties under a trade agreement.

If further trade agreements should be negotiated with full authority in the State Department or the State Department dominated Interdepartmental Trade Agreements Committee, the real burden of tariff cuts will undoubtedly continue to fall on agricultural products and the American farmer, with the major benefits going to the urban areas and the producers of industrial manufactures and heavy machinery and their financial backers. With the major authority in the State Department, this would be a natural trend because most foreign countries have agricultural products that they wish to export to the United States in payment for needed imports of our production of machinery, industrial products, and implements of war.

For example, the most likely agreement to be concluded in the near future would be with Italy, Turkey and Greece; perhaps Spain and Portugal. These countries, primarily, have exportable surpluses above minimum needs of agricultural products and their primary need is for industrial products, production machinery and implements of war. That is aside from the wheat which we are giving them. They will naturally demand American concessions on agricultural products in return for concessions, if any of immediate effect, on what they need. They will naturally resist any concessions on agricultural commodities with the possible exception of grains and cotton. Any paper tariff concessions on agricultural products would probably be promptly nullified by import quotas or embargoes, or exchange or license controls as has been the case with most other countries. Under these circumstances the interests of the farmer undoubtedly would be voted down in the Interdepartmental Trade Agreement Committee.

While most of the facts have been kept secret, we are convinced from close contact with the program and from informal discussions with officials of the Department of Agriculture that the advice of the Department of Agriculture is often disregarded by the State Department. In one case several members of Congress were advised by a responsible official of the Department of Agriculture that a particular tariff had been cut at Geneva against the Department's strong opposition and against a personal appeal of the Secretary of Agriculture not to cut it. Department of Agriculture officials pointed out that this particular cut and consequent encouragement of imports, as in other cases such as potatoes, was inconsistent with their efforts, under existing law, to remove domestic surpluses by purchase or otherwise to support agricultural prices. The failure of the Administration to produce facts proving otherwise will surely convince this committee that the interest of the American farmer and the advice of the Department of Agriculture has been and will be similarly disregarded in many other cases.

During the same period in which 86.3 percent of the duties on agricultural products have been reduced under the foreign trade agreements program and additional imports thereof encouraged, the United States Government has been carrying on numerous price support and export subsidy programs for American agriculture.

The agricultural price support legislation recognizes three groups of agricultural products. In the first category are those designated as "basic commodities." The basic commodities are corn, wheat, cotton, tobacco, rice, and peanuts for use as nuts, as distinguished from oil, cake, or meal. For these, price stabilization is accomplished by means of loans to producers by the Commodity Credit Corporation of amounts equal to 90 percent of parity (92½ percent in the case of cotton). Prices for one or more of the basic commodities have been supported at various levels by producer loans since 1933.

In the second, those which were included in the original legislation by the Steagall amendment, popularly referred to since as the "Steagall commodities." By virtue of the Steagall amendment of July 1, 1941, as amended, the Secretary of Agriculture is required to provide price support at a minimum of 90 percent of parity, or comparable price for hogs, eggs, chickens (with certain exceptions) turkeys, milk and butterfat, dry peas of certain varieties, dry edible beans of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, American Egyptian cotton, potatoes, and sweetpotatoes.

The third category includes some 140 agricultural commodities not included in either of the other groups. Section 4 (b) of the act of July 1, 1941, declares it to be the policy of the Congress that lending and purchasing operations of the Department of Agriculture shall be carried out so as to bring the price and income of the producers of nonbasic, non-Steagall commodities to a fair parity relationship with the basic and Steagall commodities, to the extent that funds for such operations are available, after taking into account the operations with respect to basic and Steagall commodities. Accordingly, price-support programs have been undertaken for a number of commodities of the third category. Specific instances may be mentioned as follows: Wool, naval stores, American hemp, sugar beets, sugarcane, black-eyed peas and beans, certain fruit for processing, walnuts, filberts, pecans, certain vegetables for processing, barley, grain, grain sorghums, rye, Sea Island cotton, certain vegetable seeds, winter cover crop seed, hay and pasture seed, and milk.

The advancing trend of prices during the war and the war embargo on imports were the only things that saved the Government from tremendous losses under these price support and subsidy programs. Even with large resulting profits in many of the programs there was a total net loss for the years 1936 through 1947 of slightly below \$2,000,000,000. With the downward price trend now beginning in many agricultural commodities and the increased imports bound to come as a result of unwise tariff cuts, the maintenance of price-support programs may result in staggering losses. Price support and subsidy programs after the period of intensive buying for export will unquestionably result in heavy outlays of the taxpayers' money. This burden on the taxpayers can only be increased by past and potential future tariff cuts and encouraging added imports on top of existing surpluses with the

consequent disruption of orderly and stable marketing. Not only the producers but every American taxpayer are being and will be injured.

Yet many of the commodities now or previously or likely to be subject to price-support programs have had tariff cuts. These include wool and wool products, wheat, rye, barley, oats, beans and peas, eggs, potatoes, walnuts, filberts, pecans, soybeans, raisins, prunes and many others. On the one hand, millions of dollars of the American taxpayers' money are expended to remove crop surpluses from the domestic market, and on the other hand the tariff is lowered to permit a greater inflow of foreign surpluses into the already oversupplied domestic market.

The conflict between price support and subsidy programs and the trade agreement program of giving away the domestic market for agricultural products is well illustrated by what happened, for example, in the domestic walnut and pecan industry during the years preceding the war. Surpluses, particularly of walnuts, became so heavy that the marketing agreement and order programs were unable to cope with the problem. Subsidies for the encouragement of exports were made to walnut and pecan producers and additional subsidies were paid to divert these products from the normal channels of trade to new uses. Over \$9,000,000 were expended in these programs during the years 1935 to 1941.

During those same years there were heavy imports of foreign walnuts and other competitive tree nuts. The prewar (1935-39) imports were nearly 60,000,000 pounds (shelled basis) of which over 13,000,000 pounds were the domestic type of nuts—walnuts, almonds, and filberts.

Thus while this country was importing domestic type tree nuts of 13,000,000 pounds each year, the Government subsidized the export of an average of about 8,000,000 pounds in-shell each year and the diversion of 14,000,000 pounds in-shell annually to byproducting. On the shelled basis these quantities represented about 9,000,000 pounds annually, about 75 percent of the annual import of the domestic-type nuts. In addition the domestic market was subjected to the competitive pressure of large quantities of nondomestic type tree nuts, principally Brazils and cashews.

A reasonable restriction on imports during this period would have made unnecessary the expenditure of most, if not all, of these Government funds to maintain the domestic industry. Instead of coordinating its program, the Administration actually sought to encourage increased imports by making heavy reductions in most of the duties on tree nuts, notably walnuts, cashews, Brazils, and filberts. Certainly there could have been no finding in such a situation that existing tree nut duties of the United States unduly burdened the restricted foreign trade. Yet that is the only legal grounds for the recent cuts in the tree nut duties.

The Department of Agriculture just recently purchased 1.8 million pounds of shelled walnuts and 783,510 pounds of shelled filberts for the purpose of removing domestic surpluses and supporting the prices of walnuts and filberts. Yet, since that purchase, over the objection of the Department of Agriculture and repeated, urgent appeals on the part of all but two of the West Coast Congressmen, the President on May 4, 1948, proclaimed a 50 percent reduction in the shelled walnut duty.

Here, again, a little consistency and a reasonable restriction of tree nut imports could have avoided the Government purchase of walnuts and filberts with taxpayers' money.

In spite of all these undeniable facts and a great abundance of testimony to the contrary before the Ways and Means Committee, the then Assistant Secretary of Agriculture Charles F. Brannan testified in favor of a 3-year extension without any amendments. Questioning, however, indicated that he knew little about the details of effect or operation of the program, nor did he have any suggestions as to what agricultural tariffs might properly be further reduced. He stated that a study of the program—

showed a consistent advantage to American agriculture—

and that commodities which received benefits were typically—

wheat and other grains, lard and pork products, citrus fruits and apples, fresh vegetables, canned fruits and nuts.

The following day numerous telegrams to the Ways and Means Committee were received by the Committee from fruit, canned fruit, vegetable and tree nut producers in widely varying sections of the country, protesting the Assistant Secretary's testimony and pointing out that they had been injured rather than benefited by the trade agreements program. The following telegram is quoted as an example:

PORTLAND, OREG., May 7, 1948.

B. W. GEARHART,

*Member of Congress, Washington, D. C.:*

Am advised Assistant Secretary Brannan's testimony before Ways and Means Committee claims trade agreements negotiated under Reciprocal Trade Agreements Act have been beneficial to fruit industry and especially mentions apples and fresh vegetables. Regret necessity of taking sharp issue with Mr. Brannan as trade agreements to date have had little or no beneficial effects on fresh fruit exports while permitting and encouraging imports of such highly competitive fruits as apples and pears by reduction of our tariff without compensating reciprocal concessions on part of recipient countries notably Canada, Britain and Argentina. Suggest you enter this protest in record of hearings before Ways and Means Committee.

YAKIMA FRUIT GROWERS ASSOCIATION,  
J. WALTER HEBERT.

This telegram is of particular interest because its author, Mr. J. Walter Hebert of the Yakima Fruit Growers Association, is primarily interested in exports of apples and pears and formerly a staunch proponent of the program. He is also a member of the Horticultural Industry Advisory Council on Foreign Trade, appointed by the Secretary of Agriculture. As such he was an unofficial adviser on horticultural products at the Geneva trade agreement conference. Concerning that experience, he wrote a letter to Senator Magnuson of Washington, dated March 4, 1948. I would like to quote a part of that letter:

The writer, as I know Senator Magnuson especially will recall, was present at the Geneva Conference as an unofficial adviser without portfolio—representing the horticultural industry of the United States and there saw the law being administered in the raw. As a strong supporter of the reciprocal trade agreements program as conceived by Mr. Cordell Hull, he was grievously disappointed and disillusioned as a result of this first-hand observation of the negotiations of trade agreements. I can truthfully and candidly now say that unless the act is satisfactorily amended along the lines Mr. Brown will have to present for your



consideration, then it had better be scrapped. It is no good for agriculture or horticulture, including not only cherries (a minor crop), but apples, pears, tree nuts, citrus, dairy products, hops and many others, all of which will be behind the amendments to the act.

The tobacco growers are another group that formerly supported the program. The tobacco growers also have been forced to the conclusion that the trade agreements, as administered by the State Department, have been of no benefit to the tobacco industry. Mr. Hugh W. Taylor of the Burley and Dark Leaf Tobacco Export Association, in testifying before the Committee for Reciprocity Information, just last January, said:

Mr. TAYLOR. We have discussed the matter with our producers and with our exporters, and we feel—and we came to this conclusion very reluctantly because the producers of burley tobacco, flue-cured tobacco, fire-cured, and dark air cured as well as the exporters of those types and warehousemen who sell those types have, as you gentlemen know, in the past supported the principle of reciprocal trade agreements.

I would like to stress the word "reciprocal." However, we feel that if under the provisions of the trade agreements we have slight protection, which the present situation in Mexico indicates that we have under trade agreements, then we feel and we have been reluctantly forced to the conclusion that it would be better for us as a practical course if we had no trade agreements.

Mr. GAY. Mr. Taylor, referring again to your reluctant conclusion, do you feel that none of the trade agreements which this country has entered into for the past 12 or 14 years have been of value to the tobacco industry?

Mr. TAYLOR. No, sir; I don't.

Chairman EDMUNSTER. Mr. Taylor, you keep alluding to a preference for no agreement at all with Mexico or with any other country, rather than to have any agreement in which they raised their rates.

Now, do you really think that the tobacco growers of this country would be better off if all such agreements were canceled, all concessions we now have in trade agreements, therefore, were canceled?

Mr. TAYLOR. Yes, sir.

Thus, the producers of most of the farm commodities mentioned by Assistant Secretary Brannan as beneficiaries of the program do not seem to agree. Consequently we must conclude that he was not speaking for the best interest of most American farmers. Considering everything it seems apparent that his testimony was forced by an administration hanging jealously to an unwise delegation of congressional responsibility which has been misused to such an extent that its former best friends no longer support it.

Mr. Albert S. Goss, master of the National Grange, a representative spokesman for American agriculture, appeared at hearings before the Ways and Means Committee both last spring and on May 4, 1948, in opposition to the trade agreements program.

Unfortunately Mr. Goss is now in Europe and cannot testify before this committee. As an alternative his office has written a letter to the chairman enclosing a copy of his statement before the Ways and Means Committee. I would like to quote just a portion of that statement:

Under our Constitution the responsibility for determining our tariff policies rests with the Congress, but under the practice which has developed, the Congress has practically abdicated, and reciprocal trade treaties are consummated on terms differing widely from those established or intended by the Congress with little or no regard for rising production costs or changing economic conditions. When the decisions on tariff adjustments are determined by a department whose

principal functions are primarily to promote foreign relations, it is inevitable that domestic problems will not get the same consideration as would be given either by the Congress or a Commission charged with carrying out a definite tariff policy.

Now, the Congress is asked to continue the present "policy-less" program for another 3 years. We are opposed to the proposal. We believe the time has come to adopt a sound tariff policy and to take adequate steps to see that it is administered as the Congress intends. We believe the Congress can adopt such a sound proposal now as well as a year or 3 years from now. If, however, this should prove impossible in the short time remaining, we would oppose renewing the present law in its present form for even 1 year. In such circumstances we would recommend:

A. A provision that no reciprocal trade agreement should become effective until it either had the approval of the Congress or had lain before the Congress for 30, or 60 days when the Congress was in session, and had not been disapproved in whole or in part by majority vote.

B. The renewal of the act, amended as suggested above, for not more than 1 year, to give time to develop a sound tariff policy.

We would prefer to see the act expire than to see it renewed in its present form. In its present form it has worked to the disadvantage of the farmer, possibly because so many countries have little or nothing to export to us except agricultural products. If we apply the 1945 reduced rates to the 1939 dutiable imports, our last prewar year, 65 percent of all the cuts figured on value, were on farm products. The average reduction was about 45 percent—almost as much as the permissible limit. The Geneva Conference has extended these still further. We do not believe that Congress intended that the farmer should bear such an undue share of the burden.

The National Council of Farmer Cooperatives also submitted a letter to this committee opposing any extension of the act in its present form and supporting H. R. 6556.

I would like to request that that letter be inserted in the record at this point.

Senator BUTLER. Will you furnish it for the record?

Mr. BRECKINRIDGE. Yes, sir.

(The letter is as follows:)

NATIONAL COUNCIL OF FARMER COOPERATIVES,  
Washington, D. C., June 3, 1948.

HON. EUGENE D. MILLIKIN,  
Chairman, Finance Committee,  
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: With regard to the extension of authority to negotiate trade treaties under the Reciprocal Trade Agreement Act, the National Council of Farmer Cooperatives, in policy adopted by the delegate body, favors:

1. Limitation of the application of any reciprocal concession in tariff to the particular nation or nations which have granted concessions in return.

2. To require analysis, review and approval of trade agreements with respect to their effect on a domestic industry by the Tariff Commission before they are put in effect.

3. To forbid inclusion in the negotiating or bargaining list of any agricultural commodity, the actual or potential domestic production of which is certified by the Secretary of Agriculture to be equal to domestic consumption requirements or a substantial portion thereof.

4. Where the Secretary of Agriculture certifies that the actual or potential domestic production of an agricultural commodity is equal to domestic consumption requirements or a substantial portion thereof, or that it is necessary for national defense, imports of such commodity shall be so limited as to not interfere with domestic agricultural programs effecting a commodity, or in the absence of such a program, with maintaining a position of economic equality with other domestic industries.

In your deliberations and recommendations on Reciprocal Trade Treaty Act extensions, we urge you to take these policies into consideration. The producers of many of our specialized nonbasic, perishable agricultural products such as

nuts, fruits and vegetables, have been adversely effected by competition of like foreign products in domestic markets which have been subject to tariff reductions negotiated under the Reciprocal Trade Act.

Appreciating the consideration which you have given to agricultural problems in the past, I am

Sincerely yours,

JOHN H. DAVIS,  
*Executive Secretary.*

Mr. BRECKINRIDGE. Mr. Clayton has read a letter to this committee from the Acting Secretary of Agriculture to the effect that he does not believe that the Tariff Commission will give adequate consideration to the interests of agriculture in setting minimum tariff rates if given that authority.

We call the committee's attention to the fact that the National Grange, the national council of Farmer Cooperatives, the milk producers, the wool producers, the livestock producers and the many fruit, vegetable, and nut producers for whom I speak are all on record with this committee to the effect that the Tariff Commission will more adequately consider their interests and the recommendations of the Department of Agriculture than has or will the Interdepartmental Trade Agreements Committee.

I might point out that Dr. Coulter pointed out in his testimony several State Commissioners of Agriculture and other groups who take the same position.

We hope this committee and Congress will remember that the Secretary is a member of the administration that is so desperately trying to retain its unbridled tariff authority.

Where doest he major agricultural support for the program come from? From cotton and grain growers, the American Farm Federation and the Farmers Union.

However, I understand that there is substantial disagreement on this subject within both the Farm Bureau Federation and the Farmers Union.

Mr. Chairman, at this point I would like to insert in the record a telegram from the Farmers Union of Oregon, setting forth the position recently adopted officially by that group.

Senator BUTLER. It will be put in the record.

(The telegram is as follows:)

MAY 20, 1948.

Farmers union of Oregon favors H. R. 6556 revising and extending Trade Agreements Act for 1 year. We oppose any extension without revision and disagree with position of National Farmers Union as expressed before Ways and Means Committee May 6. Unrestricted imports would be ruinous to Oregon agriculture. Fair and reasonable import duties or quotas are essential for many of our products to compete fairly in our own domestic markets. Oregon commodities such as hops, walnuts, and wool have been arbitrarily sacrificed to foreign producers and importers under present trade agreements statute without any reciprocal benefits to Oregon agriculture. Present statute provides no protection against ruination of a domestic industry through arbitrary and unsound State Department decisions. The strongest factual representations as to necessity of tariff protection are futile when presented to State Department. We endorse principles and purposes of trade-agreement program but deplore procedures under present statute. Provisions of H. R. 6556 for competent study of proposed tariff concessions and impartial determination of their probable cost to our domestic economy by tariff commission acting independently of State Department and under standard fixed by Congress are essential for minimum protection of agricultural industries. Farmers Union of Oregon strongly recommends that you support and vote for this bill.

Mr. BRECKINRIDGE. I would also like to insert in the record a copy of press release issued by the California Farm Bureau Federation, May 27, 1948.

Senator BUTLER. That will be put in the record.

(The release is as follows:)

The California Farm Bureau Federation, speaking for more than 50,000 farm families, today requested the State's congressional delegation to support the Gearhart bill which would limit the extension of the Reciprocal Trade Agreements Act for 1 year.

Advocates of the foreign-trade measure seek a 3-year extension.

In his telegram to California Congressmen, Federation President Ray B. Wiser said:

"Normally, California exports more farm produce than any other State.

"Administration of the present Reciprocal Trade Agreements Act has proven of no benefit to California's export crops.

"We request your support of H. R. 6556, by Congressman Gearhart, limiting extension of the act to 1 year, during which time we should develop a sound foreign-trade policy."

The California Farm Bureau Federation, Wiser said, is on record by formal resolution as opposed to the Reciprocal Trade Agreements Act.

Amendments to the act, as proposed by Congressman Gearhart, would correct in part some of the threat to important California crops from imports of cheap competing products, Wiser explained.

"Limiting the extension of the act to 1 year," Wiser declared, "would give us time to develop a program calculated to exclude, from the provisions of the act, commodities which need tariff protection because of the low wage rate or low living standards of competing countries."

Mr. BRECKINRIDGE. The House committee questioning of Mr. Ogg testifying for the American Farm Bureau Federation and of Assistant Secretary of Agriculture Brannan indicated that these groups might not be such enthusiastic supporters of the State Department and the tariff-cutting program if they were not abundantly protected by absolute import quotas on both cotton and wheat. These groups might take a different attitude if they thought these absolute forms of protection might be removed or substantially impaired, forcing them to rely on their tariffs for protection as do producers of other products. It is significant that none of the quotas on cotton or wheat were removed or increased at Geneva or in any other agreement even though the prices of those commodities have long been above parity. It is also significant that the substantial tariffs on southern-produced peanuts have not been reduced although they have been listed in trade-agreement negotiations.

I make no contention that they should be removed or increased or the duty on peanuts be reduced. I merely point out, because those are the groups who support the State Department, and they are the main groups in agriculture who have come out in favor of an extension of the act, and I just wonder if they would be as enthusiastic for the program if they had to rely on reduced tariffs, as we do.

The farmers were told:

Of course, it would be absurd to talk of lowering tariff duties on farm products. \* \* \* I do not intend that such duties shall be lowered. To do so would be inconsistent with my entire farm program, and every farmer knows it and will not be deceived.

We hope that this committee and this Congress will not allow the continuance of such absurd inconsistency and deception which so obviously has existed for the past 14 years.

Now, Mr. Chairman, I made reference in my statement to farmers and small business. While I do not speak for the small business organizations, I would like to quote from a recent press release issued by the—

Senator BUTLER. Is it long?

Mr. BRECKINRIDGE. No, sir; it is not.

This is a press release of the National Federation of Small Business, Inc., which was issued, I do not know the exact date that it was issued, I thought I had it. I think it was issued on March 29, 1948. It says this:

In support of numerous protests over handling of tariff matters by the executive department of Government, received by the federation from members during the past year, federation members voted favorably on a proposal that control over the tariff be returned to Congress, that the Executive be deprived of that wide discretion it now exercises. Interesting to note is the fact that tariff complaints have been heaviest from the New England area. However, the expression of opinion from Federation members on a Nation-wide basis indicates that appreciation of the problem involved is not regional; rather, that it is national.

I realize that I have already taken more time than I should.

Senator BUTLER. If you have additional insertions, if you will give them to the reporter, we will put them in the record.

We have two more witnesses, at least, that we must hear before we have to go to the Senate to vote, so we will appreciate a little brevity.

Mr. BRECKINRIDGE. I also have here a document I would like to insert in the record. It is entitled "Foreign Trade Problems as related to Agriculture in the Postwar Period," published by the agriculture department, Chamber of Commerce of the United States, Washington, D. C.

A representative of the Chamber appeared here the other day in support of the 3-year extension, as is, and I would like to have this on record, because it points out some of the dangers recognized by that body for agriculture if we continue.

Senator BALDWIN. We will print it in the record.

(The document is as follows:)

#### FOREIGN TRADE PROBLEMS AS RELATED TO AGRICULTURE IN THE POSTWAR PERIOD

A Statement Presented by the Agricultural Department Committee of the Chamber of Commerce of the United States, to the Board of Directors, Which Authorized Its Distribution in Furtherance of Existing Chamber Policies

In all current discussions of national and international issues foreign trade looms large, and, because agricultural products may constitute a substantial part of the volume and value of this trade, the agricultural industry will be very directly affected by the trade policies which may eventually be adopted.

The purpose of this analysis of foreign-trade problems as they relate to agriculture is to stimulate constructive thought and discussion on various practical aspects of these problems.

#### EXPORTS

Many phases of export activities, such as stabilization of currency, exchange rates, and trade practices of other countries, are of a general character and are more or less common to all commodities.

To a considerable degree also the problems relating to exports are of such a character that they are outside the control of producers in this country who must adapt their operations to these external conditions.

In order to make such adjustments, they must know the answers to questions like the following:

What is the trend of production abroad?

What is the relation of foreign production to effective demand in foreign markets?

What will be the policies of foreign governments with reference to imports which compete with products they themselves are producing?

Will production for export under the conditions which exist or are likely to exist be economically feasible?

There are no all-inclusive answers to these questions. Producers in different commodities and even in different regions must answer them for themselves. As to the major agricultural products there is reason to believe that, as other countries recover their productive capacity, the demand for American products, such as wheat and cotton, will decline. This conclusion might not hold, however, for certain special products which have distinctive characteristics or are considered luxuries, such as fruit juices and branded canned goods. Any increase in buying power abroad may result in a larger volume of exports of these products.

#### IMPORTS

In the popular discussion of foreign trade as it relates to agriculture there is a tendency to concentrate public attention on the export aspects of the problem. This is readily understandable in view of the pressing importance of adequate outlets for cotton, wheat, and the various lesser products which this country can produce in excess of its own needs. However, this somewhat one-sided approach to the general question involves the danger of overlooking the fact that the problems of exports and imports are interrelated. Accordingly, the agricultural industry should be equally concerned with the economic significance of increased imports.

#### *The trend toward a more liberal import policy*

At no time in the last hundred years have conditions been so favorable as at present for an expansion of the import trade, particularly in competitive agricultural products.

Accordingly, the time may not be far distant when the traditional policy of the United States with reference to protection for agriculture will undergo more or less substantial modification.

The desirability of such a change will depend on its contribution to adequate income for the agricultural industry. It is highly important, therefore, that all branches of agriculture be continuously alert to the effects of both imports and exports and to determine the point at which the general benefits from foreign trade are offset by an impairment of the standard of living of individuals and groups. Obviously, the outlets for the products of other industries could not be maintained if the income of agriculture declines.

During the last 12 years definite steps have been taken by Congress to modify protection for agriculture by the passage of legislation authorizing two successive reductions in import duties. If this authority should be utilized to the full, import duties applicable to certain products which have already been reduced 50 percent would be reduced to 25 percent of the rates in effect under the Tariff Act of 1930, and the protective value of the duty would be virtually wiped out.

The recent action of the President in lifting duties on lumber and lumber products has directed attention to a provision in the Tariff Act of 1930 which authorizes the complete removal of duties on a limited group of commodities needed for emergency relief. The use made of this authority suggests a tendency on the part of administrative authorities to go beyond the limits intended by Congress. Although in any individual case some degree of justification may be found for such action, the long-term effect is to undermine the authority of Congress under the Constitution and to weaken the safeguards provided for American industry.

#### *Factors contributing to liberal trade policy*

Several factors which should be carefully watched and appraised by farmers and those in related industries are contributing toward a more liberal import policy for the United States. These may be stated briefly as follows:

1. Increased imports are essential for an enlarged export trade.

Previous to World War I a large volume of exports was required to meet principal and interest payments due abroad. The cotton, wheat, beef, and pork industries were largely based on and developed as a result of this condition. With World War I, conditions changed. This country became a creditor na-

tion and any expansion of exports became directly dependent on a corresponding expansion of imports.

This interrelationship has special significance at the present time because of the widely accepted belief that adequate utilization of the productive resources of the United States, the maintenance of full employment, and the realization of an adequate national income will require a foreign trade substantially larger than existed before the war.

2. There is at the present time a widespread acceptance of the principle that the United States should extend benevolent aid to war-ravaged countries and to other countries having a lower standard of living because of insufficient industrial development.

It is recognized that the restoration and balanced development of those countries will require large amounts of goods which can be produced in the United States. An adequate supply of these goods will provide the desired export volume for the United States, contribute to human welfare, and, it is hoped, promote peace. Thus, economic considerations are supplemented by humanitarian.

But such aid will require repayment eventually if our exports are not to constitute pure charity. Such payments, it is claimed, can be made only by direct or indirect importation of goods. Any substantial volume of direct imports from the less developed countries is likely to consist largely of agricultural commodities. As we are already receiving a substantial volume of noncompetitive products, such as coffee, tea, cocoa, and spices, an additional volume of imports is almost certain to include many of a more or less competitive character.

3. The high level of domestic commodity prices.

Under the terms of present legislation the prices of many agricultural commodities are required to be maintained for the next 2 and possibly 3 years at levels which will attract shipments from abroad whenever sufficient supplies can be spared and transportation made available. In fact, relatively attractive prices may prevail for a still longer period if the policy of supporting prices at levels approaching parity is continued.

Even present tariffs may be no barrier in view of the disparity between labor costs in the United States and abroad. Furthermore, if duties are reduced to the extent authorized by the Trade Agreements Act, the tariff barriers of the future will be much less formidable than at present.

There is even a possibility that such products as butter, having a comparatively high unit value, may be imported from Europe before the present shortage in that area is alleviated in order that means for purchasing other greatly desired commodities may be obtained. It is reported that, notwithstanding the general food shortage in northwestern Europe, exporters in Holland recently arranged for a shipment of potatoes to Brazil, at the very moment that hundreds of carloads of potatoes were awaiting shipment from the United States to Europe. Furthermore substantial amounts of Scotch whisky and Holland beer, both made from grains, are now being sent to the United States.

4. Consumers may demand the relaxation of import restrictions and lower tariffs as a means of lowering the cost of living.

Artificially supported prices, particularly if coupled with shortages of the domestic supply, are likely to give force to such a demand. Furthermore, it is to be expected that such a demand will receive stimulation from surplus-producing countries which would very much like to obtain entrance to the enormously large and high-priced United States market.

#### *Problems arising in the application of a liberalized import policy*

The prospects for increased imports of agricultural products, particularly those of a competitive character, raise a number of questions which must be answered if minimum damage to the industry and maximum benefit to the country are to be attained. Among these questions are the following:

1. For what agricultural products does there exist a domestic demand in larger volume than is likely to be available from domestic sources? Examples may be sugar, hides, and flaxseed.

2. For what types, qualities, or grades of domestic products is there a domestic demand which cannot be supplied from domestic sources through the application of known or readily discoverable production techniques?

3. What branches of agriculture now being carried on should be discouraged in whole or in part in order to make a place for a larger volume of imports?

An official publication of the United States Department of Agriculture contains the following proposal which suggests a basis for answering these questions but attempts no application of the principles. The agricultural committee of the National Chamber believes this proposal to be thoroughly unsound, and that, if made operative, would be harmful to agriculture, other industries, and organized labor. The proposal is as follows:

"We believe that, with due consideration for military necessities, we should evolve programs that will tend to reduce domestic production of agricultural commodities that cannot meet world competition and yield an American level of living to producers without tariffs or other forms of Federal subsidy, and that will correspondingly increase our imports of those commodities that are needed to maintain or bring about desirable increases in domestic consumption. The foreign exchange arising from the imports of these commodities would provide foreign countries with purchasing power which would increase the demand for our other agricultural exports, or would increase the demand for the export of industrial products which, in turn, would increase the domestic demand for our agricultural output.

"This does not mean, of course, that we should suddenly and completely stop producing those commodities now protected by tariff walls and other forms of subsidy. It means only that production of these commodities should be discouraged in areas in which better alternatives are available, and in submarginal or highest areas where costs—in terms of cash outlay, human effort, and wasted soils—exceed the returns."

In considering questions involving the relative desirability of imports as compared with domestic production, much stress is laid on the price differential which tends to exist between the foreign and domestic market. This price differential is often accepted as evidence of some superior advantages in production. As a matter of fact, it is quite possible that this price difference is not due to any natural advantage nor higher efficiency but rather to the simple fact that living standards and wages are lower and economic opportunities less numerous than in the United States. Accordingly, if producers in the United States are to compete with foreign producers without lowering their standard of living and wage levels, they must offset by superior efficiency the entire advantage which arises from the low wages and low living standards of other producers as well as lower capital investment and taxes. This brings up the next question:

4. Can efficiency of agricultural production in the United States be increased sufficiently within a comparatively short time so that living standards can be maintained or even raised while the industry is competing with foreign producers on an even price basis?

Again, there is no all-inclusive answer to this question. It will vary with commodities, and with regions. Also, it must be recognized that the effect produced on basic costs by increased efficiency of production is limited by such relatively rigid costs as wage rates, capital investments, debt services, and prices of raw materials. In any case, time will be required to bring about any considerable increase in efficiency.

5. By what means can the policy of reducing tariffs and increasing competitive imports be prevented from conflicting with the policy of sustaining prices to producers at levels approaching parity?

Even in instances in which domestic production is sufficient to meet the domestic demand at the support price, there will be a tendency for imports to flow in until the price on the domestic market reaches the price level of the foreign supply, plus any duty that may be in effect. This lower price will impair the economic status of producers and stimulate a demand for increased Federal subsidies.

At the present time quotas are in effect with reference to cotton, wheat, and beef cattle, in order to retard the tendency for imports to increase.

6. How much more employment and consumption of domestic products will result from an exchange of imports for exports than from a corresponding volume of trade between areas and groups within the United States?

In this connection it should be remembered that the buying power of the mass of consumers averages far higher in the United States than in most other countries of the world. Moreover, the buying power of the countries from which we would receive many imports would be limited by the comparatively low value of the raw materials which they would produce and ship while we would wish to sell them more highly processed products having a considerably greater value for a corresponding volume. Accordingly, the countries shipping to us would probably be unable to buy back anything like the volume of material they shipped to the United States. The excess would remain to compete with domestic products.



In appraising the opportunities and the need for imports, certain distinctive characteristics of the United States should be given consideration. For example, this country is continental in size. It has a wide diversity of climatic conditions, large and very varied natural resources, and a very high development of technical skills. Actually there are few, if any, agricultural products of importance in common use which cannot be supplied by domestic producers during a considerable part of the year.

7. To what extent can imports be depended on to supply the requirements of this country?

Doubtless the answer to this question must be predicated in large part on the assumption which may be made as to the probable success of the present efforts to establish peace as a question of national security is involved. Consideration must be given to the fact that for several important products the amount available for import is but a fraction of the domestic requirements.

#### CHAMBER POLICY

The National Chamber throughout its existence has laid great stress on the importance of foreign trade—no less to agriculture than to other industries. While recognizing the importance of an ever-expanding world trade, due consideration has been given to the harmful effects of cheap competitive imports on our American standard of living. Accordingly, the Chamber of Commerce of the United States has adopted the following statement as an expression of its official position:

"The United States Government should pursue a constructive and realistic tariff policy which will encourage the maximum flow of international trade but which at the same time will afford reasonable protection for American producers against destructive or otherwise unfair competition from abroad (1946)."

Since the export and import of agricultural products have constituted a large part of our foreign trade, a policy statement specifically applicable to agriculture was adopted nearly 20 years ago and has been repeatedly reaffirmed. It is as follows:

"The principle of reasonable protection for forms of agriculture of concern to any section of the country, and subject to destructive competition from abroad, has been repeatedly advocated by the Chamber and is again emphasized (1946)."

#### COMMITTEE RECOMMENDATION

In view of the proposals which have been made by various agencies of the United States Government for the purpose of expanding world trade, the agricultural department committee believes it to be timely and appropriate for the officials of the National Chamber to acquaint government officials immediately with the established Chamber policies on this important matter.

C. J. ABBOTT,

*Chairman, Agricultural Department Committee.*

Mr. BRECKINRIDGE. An earlier witness testified, I think it was Mr. Rosenthal, to the effect that some industries may have to be damaged, and injured, for the over-all good. In that line I would like to read concerning the recent Mexican negotiations and quote from a letter received by the Parker Pen Co. from one of its agents in Mexico. The quote is as follows:

In line with the subject protectionism you will be interested to know that in a recent talk with fairly well-informed members of the Economic Board regarding the extremely high duties now assessed against the importation of fountain pens and pencils, one of the explanations given for these was that it was hoped that, because of them, some important American factory would find it beneficial to their interest to build a plant in Mexico in which to manufacture fountain pens and pencils. It was explained that this type of a factory, termed "light industry" was more in keeping with the sort of industrialization Mexico wishes to promote—no comment on our part, but we shouldn't cherish the job of marketing the product.

I point that out because in many cases the large increases in tariffs recently imposed by Mexico in contravention of the agreement that

we did have with them were on industries for which they had no industry at all. They had no industry to protect, as now they produce none. They are apparently doing it with the hope of shifting American industry to that country. And I point out that the State Department has repeatedly publicly announced that they consulted with and agreed with Mexico on each tariff increase that they imposed.

Senator BUTLER. Mr. Breckinridge, I think we will have to insist on the insertion of anything further that you have, because you have exceeded the time allotted to each witness.

Mr. BRECKINRIDGE. I have finished.

This is a letter addressed to you, Senator Butler, concerned the Mexican situation, dated March 25, and I would like to have that inserted.

Senator BUTLER. Fine. We will insert it in the record.

Mr. BRECKINRIDGE. Thank you.

(The letter is as follows:)

POPE BALLARD & LOOS,  
Washington 4, D. C., March 25, 1948.

HON. HUGH BUTLER,

*Senate Office Building, Washington 25, D. C.*

MY DEAR SENATOR BUTLER: I refer to my letter to you of February 28 which appears at page 2119 of the March 3, 1948, Congressional Record, and particularly to the following statement made therein: "The State Department policy boils down to this: discourage exports (except a few favored products such as automobiles), discourage American production of anything except what it favors and considers efficient; encourage imports at expense of American producers; encourage foreign production and export to United States; shift producers to favored mass production industries; encourage a specialized and centralized American industrial economy that is easy to control."

Can that statement be substantiated? Yes it can, and with a very concrete and recent illustration.

During 1947 Mexico placed an absolute embargo on the importation of all fountain pens and mechanical pencils containing any part of gold or silver, even if a pen has only a gold point. The Mexican duty on fountain pens and mechanical pencils not containing any parts of gold or silver were raised to astronomical heights which are equivalent to embargoes.

The agents of the Parker Pen Co. in Mexico just recently wrote the Parker Pen Co. as follows:

"In line with the subject protectionism you will be interested to know that in a recent talk with fairly well informed members of the Economic Board regarding the extremely high duties now assessed against the importation of fountain pens and pencils, one of the explanations given for these was that it was hoped that, because of them some important American factory would find it beneficial to their interest to build a plant in Mexico in which to manufacture fountain pens and pencils. It was explained that this type of a factory, termed 'light industry' was more in keeping with the sort of industrialization Mexico wishes to promote—no comment on our part, but we shouldn't cherish the job of marketing the product."

The Parker Pen Company has already been forced to transfer plants, capital, production and employment to Great Britain and other countries. Now it will be necessary for the Parker Pen Company to transfer a plant, production and employment to Mexico. During 1946 the Parker Pen Company did a little better than an \$800,000 business in Mexico. During the last six months of 1947, they did only \$5,000 worth of business. To get the Mexican business it will be absolutely necessary to transfer a plant and employment to Mexico. A neat little plan on the part of Mexico; incidentally, approved and assisted by the United States State Department.

You will recall that the State Department has publicly announced that it had conferred with Mexico and agreed in each case to her increased duties and embargoes on imports from the United States. You will also recall that the Mexican Ambassador recently emphasized the fact that Mexico had discussed each embargo and each increase in duty with the State Department and obtained their prior approval.

To fit this into my above quoted statement, Mexico has, with the advice, assistance and approval of the State Department, taken steps to eliminate production and employment in the United States, discourage exports from the United States, force production and employment in Mexico and export to the United States, force employees previously engaged in production for export to Mexico into one of the more favored (by the State Department) and more centralized mass production industries such as the automobile industry. If more proof is desired I will attempt to dig up more illustrations for you, or a congressional committee might take on this job.

The Parker Pen Company has in the past been a very strong supporter of the State Department and reciprocal trade agreements program. The State Department even deceives its own friends and supporters and sells them down the river.

The publicly announced purposes of the Mexican embargoes and increased duties are to more adequately protect domestic industries and to conserve dollar exchange. In this case and in other cases Mexico has no such industry to protect and a careful investigation would reveal that there is no real dollar shortage in Mexico. If the true facts were known, it would be quite apparent that the real purpose for Mexico's action is to force the transfer of American industries into Mexico and to blackmail the United States into giving them a hand-out of dollars under a Mexican recovery program. Also I believe that a real investigation of the Canadian situation and her recent embargoes, quotas and increased duties would reveal a similar purpose of inducing the United States into spending a large portion of the hoped for Marshall Plan dollars in Canada. I will just cite one illustration. Canada imposed a very small quota on imports of citrus fruit with the announced purpose of conserving American dollars. However, since the imposition of that quota, Canada has and is buying, with the approval and assistance of the State Department, Italian lemons and British Empire oranges outside the quota and paying for them with American dollars.

This Mexican fiesta of deception is just another of the State Department's planned crises and claimed international emergencies. When are Congress and the American people going to wake up and remove the foreign wool which the State Department has pulled over their eyes? When is one of the political parties going to have enough courage to come out honestly and tell the people what is going on?

After Congress gets through passing the ERP, it had better be prepared for a barrage of propaganda for a Mexican Recovery Program and for a Latin American Recovery Program—they are all getting on the band wagon even if it takes blackmail to do it.

Very sincerely yours,

JOHN BRECKENRIDGE.

P. S. I want to emphasize that the above language and views are my own and not those of the Parker Pen Co.

JB

Senator BUTLER. We will call Mr. Canfield, please.

Will you identify yourself to the reporter.

#### STATEMENT OF ROBERT E. CANFIELD, AMERICAN PAPER AND PULP ASSOCIATION, NEW YORK, N. Y.

MR. CANFIELD. Robert E. Canfield, 122 East Forty-second Street, New York. I am counsel for the American Paper and Pulp Association, which is the central organization of the paper manufacturing industry in the United States.

I have no prepared statement here, Senator. I would like to discuss the situation without reading a statement.

I have handed to the clerk a brief that we filed with the Ways and Means Committee which is approximately 95 percent factual, I would say, and the rest of it argumentative.

Senator BUTLER. That is already in the record of the House?

Mr. CANFIELD. It has been submitted to Mr. Stanley.

I would like to talk specifically about certain angles of the situation. The paper industry happens to be the only industry, I think, that can give you people experience on what happens after a long period of time on reciprocal deals, because a long time ago that was started in the paper business.

In 1913, newsprint went on the free list as a result of a reciprocal trade deal with Canada, in which Canada was going to take off the duty on newsprint and so was the United States. The United States did but Canada did not. It was quite in the pattern of present reciprocal deals that is not entirely reciprocal.

Canada today is the largest producer by all odds of newsprint paper in the entire world. It has a duty on newsprint paper of 22½ percent, where we have it duty free. The result of that deal has been that the newsprint industry which would presumably have grown substantially in the United States stagnated completely, and the United States is utterly dependent upon a foreign country for its source of an absolutely basic commodity that we must have.

Today about 80 percent of all of the newsprint used in the United States comes from Canada.

The same kind of thing can happen on other paper grades, and is happening. The current reciprocal trade programs have resulted in reducing duties on paper to a point which I think probably far exceeds the intention of Congress when they passed the Reciprocal Trade Act. You will remember at the time that Act was first talked of, the great selling point was that it was to get rid of the unduly high duties of the Smoot-Hawley Tariff bill, and get somewhere back towards the so-called free trade tariff schedule of 1913.

The present average rate of duties on paper is about half what it was under the Underwood Act of 1913, which is certainly going a long way, and there is, of course, authority to cut it still further under this reciprocal trade act.

What happens when you do cut duties unduly was indicated by that newsprint situation. The same thing is happening exactly the same way in other grades of paper. For instance, the duty rate on printing paper was cut nearly 50 percent and from that time to date the imports of printing paper have increased about 750 percent.

Senator MARTIN. What do you mean by printing paper?

Mr. CANFIELD. I mean the paper that goes into magazines and commercial printing, other than newsprint.

Senator MARTIN. I understand.

Mr. CANFIELD. There is about 750 percent increase. It has gotten to the point now where the importation is from Canada of printing papers, so-called ground wood printing papers are approximately equal to the production of the biggest mill there is in the United States in that field, and it is growing rapidly.

Wrapping paper, there was a reduction by 50 percent of the duty and imports in 2 years went up 600 percent. That is on kraft wrapping, and on special wrapping it increased 2,000 percent in the same period.

Senator BUTLER. Can you tell us anything about the industry locally; domestically has it declined proportionately?

Mr. CANFIELD. Yes, I can. Primarily with reference to this 1913 situation, because that had long enough to work itself clear to the extreme, the present situation has not; the war of course has changed

demand situations entirely, and there has been no normal process for any extended period, but in the case of newsprint, there were originally at the time that deal was made some 70 mills in the United States making newsprint, three of those mills still make newsprint. I do not remember the exact number, but 25 or 30 of them have gone completely out of business and liquidated.

Senator GEORGE. That was not under the reciprocal trade.

Mr. CANFIELD. No, sir; it was under a special reciprocal trade deal with Canada.

Senator GEORGE. That is when Congress had charge of it.

Mr. CANFIELD. The deal was made, no, it was not quite the same as it is now. The mechanism was much different.

Senator GEORGE. Congress had charge of it.

Mr. CANFIELD. It did in 1913 when it actually took the duty off. However, sir, that was negotiated by the State Department, and a deal made with Canada subject to ratification by the Congress.

Senator GEORGE. But it had to come to Congress; it did come to Congress.

Mr. CANFIELD. Sure.

Senator GEORGE. And now the same situation, if a similar situation as that should develop, why, we could cancel out under the trade act that we are operating under now.

Mr. CANFIELD. We could, but it does not happen.

Senator GEORGE. We could do it all right, and presume we would do it if a similar situation like that should arise.

Mr. CANFIELD. It has arisen.

Senator GEORGE. Where?

Mr. CANFIELD. In these percentages I am showing you here on the growth of imports.

Senator GEORGE. What about the production in this country?

Mr. CANFIELD. The production has grown.

Senator GEORGE. Has grown rapidly.

Mr. CANFIELD. Yes, it has.

Senator GEORGE. You are just going back like all of the other witnesses that want it to go back to Congress, and return the whole thing to congressional action. Some of them want to stop temporarily with the Tariff Commission. That is just a way station.

Mr. CANFIELD. Certainly it is our position that the determination of duties should be under the supervision of Congress, rather than without supervision.

Senator GEORGE. Exactly, but I am calling your attention to the fact that what you are complaining about, the old reciprocal arrangement made with Canada, as it affected you, for instance, was when the whole thing came back to Congress and had to be ratified by Congress.

Mr. CANFIELD. That is right. I was bringing that up, sir, for the purpose of showing the effect that can be and demonstrably has been made by undue cutting of tariffs on paper.

Senator GEORGE. You might just as well complain to Congress some time they put something on the free list that you thought ought to have a duty. I sat through the tariff making in 1929 and 1930. I stayed in Washington the whole of 1929 with about 30 days away, and I think I know a little something about how we made tariffs

in those days, how we made the Smoot-Hawley Tariff Act. Do you want to go back to that?

Mr. CANFIELD. No, sir. No, sir; I have not the slightest desire for that. As a matter of fact, paper rates were not greatly increased at that time. The paper industry's position on tariffs has consistently been that what they want is only a sufficient tariff to permit equal opportunity in the domestic market with foreign producers.

Senator GEORGE. I understand that. I understood that.

Mr. CANFIELD. As the result of that, there was no request for greatly increased duties at that time when everybody else was raising them all over the place.

Senator GEORGE. That is right. You are right about that. Everybody came down here and said all they wanted was just a tariff that would give them an opportunity to produce here so that they could protect the industry and would not destroy it, but they generally wound up by asking what was in effect a monopolistic tariff.

Mr. CANFIELD. The paper industry did not, sir.

Senator GEORGE. No, I did not say you did. I was calling your attention to the fact that what you are complaining of happened when Congress had full control of your tariffs and not under the Reciprocal Trade Act at all.

Mr. CANFIELD. That is correct.

Senator GEORGE. Congress did it, and failed to take immediate steps when Canada did not live up to its side of the agreement.

Mr. CANFIELD. That is right. They acted approximately the same way the State Department is acting with Mexico now.

Senator GEORGE. Have you got any paper interests down in Mexico?

Mr. CANFIELD. There is no paper imported from Mexico; some is exported to Mexico; a little paper is produced there.

Senator GEORGE. You will excuse me for interrupting you. I just wanted to differentiate what did happen.

Mr. CANFIELD. The reason that this kind of rapid growth in imports happens in the paper industry, when you do cut duties below the compensatory level, which is all they have been at by and large, is that the paper industry is an industry which has gone completely through the industrial revolution all over the world, long since, and paper is made in identically the same way in every country in the world where it is made with the same machinery, the same skills, the same productivity per man. The only difference in cost in operating in any country is the labor factor, and every country in the world has a lower labor factor than ours. The net result is that when you cut as they have the printing rate of duty to the point where it is under 10 percent, and where the Canadian costs which are more close to ours than any other paper making country are less than ours by at least that amount, there is automatic advantage in the foreign producer. They can come into the market to any extent they care to do, as was demonstrated by the newsprint situation before.

In the face of that circumstance, it is our feeling that it is unwise to make cuts of that sort, but at the very least that it should be the Congress who makes the determination of whether they want to do that or do not, particularly in the light of what has happened in the way of making the country dependent on foreign countries for one kind of paper.

Senator BUTLER. Paper is o...

Mr. CANFIELD. Newsprint is.

Senator GEORGE. Newsprint is: That is certain sizes.

Mr. CANFIELD. What is that?

Senator GEORGE. Newsprint. We passed two acts just recently extended for another period.

Mr. CANFIELD. Yes, that is a form of newsprint paper which was not previously considered to be duty free.

Senator GEORGE. That is right.

Mr. CANFIELD. But which is now temporarily.

Senator GEORGE. I do not want you to understand that I am not interested in the possibilities of paper production, because down in my section of the country it is a growing industry.

Mr. CANFIELD. It certainly is.

Senator BUTLER. Anything else, Mr. Canfield?

Mr. CANFIELD. I would like to point out that one part of this whole scheme of promoting international trade has certainly been done by the paper industry up to its full share, at least. There is about six hundred million dollars worth of the products of our industry imported into this country every year. It is more than double the imports of the products of any other industry. It is about 10 percent of the total import of all commodities into the United States. So that when it comes to contributing to international trade, we feel that we have contributed fairly heavily.

Senator BUTLER. There is no application pending for increased tariffs?

Mr. CANFIELD. No, sir. We have not made any such application. I think largely because it is deemed utterly futile under the present circumstances.

We have tried in the past at various times to invoke other protective measures, such as the Antidumping Act, and it does not work, and the same problems exist in trying to exercise the escape clauses under the Reciprocal Trade Act. You have got to prove things that are virtually impossible to prove.

We had one instance, for example, under the Dumping Act, where the petition was rejected because, although damage was shown to a company, it was not to an industry, and another one that was rejected, although damage to the industry was shown, no damage to any individual company was shown, which sort of leaves you—

Senator BUTLER. Pretty hard to qualify.

Mr. CANFIELD. Which leaves you where you decide you better not even ask.

A couple of weeks ago I testified here before the committee in connection with the matter that is being voted on today, the social security resolution. I bring that up now because I feel personally very much the same way about this tariff situation, that the tendency of the administrative agencies of the Government to run away with congressional authority and go far beyond what Congress intended is more and more apparent. It seems to me that it is going to be a continuing job for Congress for a long time trying to produce some mechanisms which will eliminate that kind of thing.

This tariff deal I feel is in exactly the same category. I cannot believe that the Congress intended what has actually happened under the Reciprocal Trade Agreements Act, but that is what inevitably happens when Congress does not retain any supervisory control.

Under the circumstances, the paper industry feels, and I feel personally, too, that the present suggestion coming from the House is a step toward control, although I doubt whether it does the job thoroughly enough, but certainly it is better than no control whatsoever. In the absence of control it is becoming very apparent that things do go away beyond what Congress intended, not only in tariff fields, but in many, many others.

(The following statement was submitted for the record by Mr. CANFIELD:)

STATEMENT ON BEHALF OF THE AMERICAN PAPER INDUSTRY IN RELATION TO THE  
EXTENSION OF THE RECIPROCAL TRADE AGREEMENT ACT AS PROPOSED BY H. J.  
RES. 335

The American Paper and Pulp Association is opposed to the extension of the Reciprocal Trade Agreement Act in its present form. This association is the central organization of the entire paper-manufacturing industry in the United States, representing all grades of paper and pulp. The paper industry is the most sensitive of all American industries to tariff changes, has been most violently disturbed by changes made in the past, and has been subjected to heavier duty rate reductions than any other manufacturing group of comparable size.

Extension of the act in its present form for even 1 year could work irreparable havoc in the paper industry, inasmuch as printing and wrapping papers, comprising 6,000,000 tons of annual output, would be subject to 50 percent duty reductions. Other less important grades would be similarly affected.

The paper industry's reciprocity troubles began in 1913 when newsprint was placed on the free list. The newsprint industry moved to Canada and domestic newspapers were forced to rely on that country for three-quarters of their annual requirements.

Four years earlier, in 1909, wood pulp was placed on the free list. In 1947, imports of pulp were valued at \$257,394,325, and imports of standard newsprint, \$343,191,758. For a generation foreign pulp and newsprint manufacturers have been enjoying unrestricted access to the United States market. Imports of pulp and newsprint in 1947, totaling over \$600,000,000, were 13 percent of the total value of all commodities imported into the United States that year. Thus, the United States pulp and newsprint industries alone have contributed more to the furtherance of international trade (at the expense of domestic producers) than any other single domestic industry.

Partial destruction of the domestic newsprint industry happened through reciprocity. It not only can happen again, but is now happening in respect to other grades. In the last 3 years United States companies have made commitments for the construction or expansion of Canadian mills totaling an investment of \$175,000,000 in fields other than newsprint. Further tariff rate reductions will not only accelerate this movement of American capital to other countries but will adversely affect the employment of American workers in the production of paper for United States consumption. American paper-mill employees receive from three to four times the wages paid in Europe for exactly the same type of work, and for an equivalent output per man.

Based on the past effects of the reciprocity program, the United States paper industry opposes the extension of the Reciprocal Trade Agreement Act in its present form for the following reasons:

*Point No. 1.*—Duty rates on paper have already been reduced to the lowest figure in history, 12.28 percent.

*Point No. 2.*—Reductions of duty rates have resulted in heavy increases in imports of paper to the detriment of domestic producers.

*Point No. 3.*—The paper industry sees no evidence of reciprocity on the part of other nations.

*Point No. 4.*—Changes in administrative provisions of the Tariff Act threaten to be more damaging to domestic industry than the reductions themselves.

*Point No. 5.*—The so-called escape clauses in the Geneva Agreements are so hedged about with operative restrictions that they are valueless to domestic industry.

*Point No. 6.*—Undue foreign competition in the United States market is a menace to investment and employment alike.



*Point No. 7.*—A correct tariff policy for the United States would strengthen some sections of the Tariff Act, instead of destroying the effectiveness of any portion of the act.

POINT NO. 1. AVERAGE DUTY RATE NOW 12.28 PERCENT

Duty collected on actual imports of dutiable paper in 1947 was equivalent to 13.7 percent. If the rates of duty set by the Geneva Reciprocal Trade Agreements had been in effect in 1947, the duty on these imports would have been equivalent to 12.28 percent. This is about half the protection given the paper industry by the Underwood Act of 1913, the nearest approach to free trade in United States history.

Under the act of 1913, the rate of duty on dutiable paper as reported by the United States Tariff Commission was 22 percent, computed on imports of 1914; under the act of 1922 the rate rose to 24 percent, computed on imports in 1926; under the act of 1930 the rate was only 26 percent. The rates on all dutiable commodities for the comparable periods were 24, 38, and 41 percent.

Under the Geneva agreements the rates of duty on paper remain far below most other major industries and are below the average rate imposed on all dutiable imported commodities. As compared with the average rate of 13.7 percent on paper before the Geneva agreements, duty collected in 1947 on all dutiable commodities was 20 percent.

Under the Geneva agreements, duty reductions were made on 47 grades of paper but there were no reductions on the heavy tonnage grades, such as groundwood and book grade printing papers, the major wrapping paper grades, or plain paper boards. It must be realized, however, that under the Reciprocal Trade Agreement Act, if extended, it would still be possible to cut in half the rates on these major grades now ranging from approximately 10 to 25 percent. Serious as have been the effects of duty rate reductions already effected, further slashes in rates on these grades would be destructive.

Although imports of dutiable paper increased 20 percent in February of this year as compared with January, it is impossible as yet to adequately appraise the effects of the newly reduced rates which only became effective January 1, 1948.

Exhibit No. 1 gives a complete tabulation of the duty rates on all grades of paper computed on an ad valorem basis.

POINT NO. 2. EFFECTS OF TRADE AGREEMENTS

The United States paper industry was the first industry to feel the effects of a reciprocity program and as the result of successive trade agreements is still the industry whose markets have been most violently distorted by changes in duty rates.

The first reciprocal agreement negotiated by this country placed newsprint on the free list—a step for which no reciprocal concession was secured. Not only did the newsprint industry migrate to Canada, but mills formerly making this grade were forced to dismantle their plants or turn to the manufacture of other grades. This grade shifting demoralized the industry for a score of years. In 1913 there were 70 newsprint mills in the United States, today there are only 3 United States companies making newsprint exclusively for sale. True, some other mills owned by newspaper groups are making newsprint for their own use and selling a small surplus. This step has been taken to guarantee the interested publishers a source of supply, inasmuch as manufacturers driven out of the field by duty free competition, have not dared risk investment in new mills.

The newspaper publishers have been the final victims of this practical elimination of a domestic industry. Because there is no domestic output to stabilize prices, newspapers are buying thousands of tons of paper at 10 cents per pound and in some cases 15 cents. Canadian producers, supplying the bulk of the domestic consumption, have increased their prices to \$96 per ton, as against a price of only \$50 a few years ago. In fairness it must be recognized that the Canadian mills have not in any instance taken advantage of the panic buying in the United States to raise prices to those charged by European mills.

Reciprocal trade agreements have bound wood pulp on the duty free list with the result that 1947 imports totaled 3,305,067 tons, valued at \$257,394,325. Pulp and standard newsprint duty free imports in 1947 totaled \$600,516,083.

Wood pulp is important to more than the paper industry. It is essential in the wide field of rayon and similar products, and as an essential component of explosives, as this country found to its cost in World War II.

Foreign producers of wood pulp have enjoyed competitive advantages in this market, not only because of the duty-free status of wood pulp, but frequently as a direct result of currency depreciation, foreign subsidization, and similar inequitable practices.

The essential position of our domestic wood pulp industry in our national economy can only be maintained if measures are taken to prevent unfair competitive practices of the type which have, in the past, enabled foreign producers to dump wood pulp in this market at less than fair values.

Under existing Reciprocal Trade Agreements, this basic American industry is afforded no practical protection against "dumping", exchange manipulations, or subsidized competition.

In 1938 the duty rate was reduced on printing papers, the grades known as groundwood printing and book papers. In 1938 imports of these grades totaled less than 10,000 tons. In 1947 imports had jumped to 75,000 tons and some grades, formerly made in the United States, are now principally imported from Canada. Other grades are migrating at an accelerated pace. Novel news, formerly produced in huge quantities in this country, has ceased to be a United States product. Pencil tablet and poster papers are following novel news to Canada. Imports of basic papers for hanging papers, on which the duty rate was reduced from 10 to 7½ percent, is now imported in 10 times the volume before the rate was reduced. Imports of groundwood printing papers have risen to one tenth of United States output.

Under the Tariff Act of 1930 the duty on plain paperboard was 10 percent, but with a provision that a higher rate be levied equal to that assessed on similar material in the country of origin. Canadian paperboard was thus dutiable at 25 percent. The first Reciprocal Trade Agreement Act eliminated this provision, and the rate on paperboard from Canada was automatically reduced from 25 to 10 percent. The rate on vat-lined, surface-colored and other boards which have been given a secondary processing, was originally higher than that for the plain unprocessed material. The rate was twice reduced by 50 percent until some types are now dutiable at a lower rate than the basic material.

A large increase in imports of wrapping papers resulted from the reduction of duty rates granted Sweden and Finland. Imports during the year before this duty rate reduction totaled 4,300 tons of kraft and 500 tons of other wrappings. Kraft imports rose in 2 years to 24,000 tons. Other wrapping paper imports rose to a total of over 11,000 tons in 1947. Total wrapping paper imports in 1947 were 22,000 tons as against 4,800 tons before duty rates were reduced.

Other grades, whose consumption is smaller in tonnage, but higher in value, suffered proportionately. Simplex decalcomania, for instance, has suffered successive reductions and is now dutiable at one-fourth the rate under the act of 1930. Imports before the first duty rate reduction totaled 32,000 pounds, but in 1947 the total was 356,000 pounds.

Ribbon fly catchers were invented in the United States. The duty rate was reduced for the benefit of Belgium, but Japan took advantage of the lowered rate and the company which devised this product has ceased its manufacture.

The above instances are typical of the effect of reciprocal trade agreements on the entire industry. A detailed complete summary, given by individual grades, is attached as exhibit No. 2.

#### POINT NO. 3. IS THIS RECIPROCITY?

The American Paper Industry opposes the extension of the Reciprocal Trade Agreement Act in its present form—because it is not true reciprocity. Apparently there is as great a difference between the United States definition of reciprocity and its definition by other countries as there is between our definition of democracy and that of certain other countries.

Under "reciprocity" as now practiced by those responsible for its operation, the United States gives much and receives little, while other countries receive much and give little.

Under the Most Favored Nations principle, the United States extends to all the world all the benefits of any tariff concessions it makes to any country, limited only by withdrawal of concessions from nations discriminating against the United States. This principle applies not only to all previous trade agreements, but also to those negotiated at Geneva. Prior to World War II Germany and Japan were debarred from tariff benefits under this policy, and when Czechoslovakia and Austria came under German rule they also ceased to receive these benefits. Germany and Japan, however, being under American Military Gov-

ernment, are automatically classified as most favored nations. Even Russia and its satellites are beneficiaries, though they have granted no reciprocal concessions. As against this generosity of the United States, no other country gives any concessions to countries which do not join the International Trade Organization.

At Geneva, a score of nations signed a preliminary charter of the ITO and agreed to detailed schedules of tariff rate reductions. Only the United Kingdom, Canada, France, Benelux, Cuba, and Czechoslovakia have confirmed their Geneva commitments. A very large majority of the rate reductions granted by the United States were to these nations, but all of the other signatories have received the benefits since January 1, 1948, while as yet they have given nothing in return.

Specific action by various countries in violation of the spirit of the Geneva commitments to which they were parties are summarized below.

*Canada.*—The joint signature of the Canada-United States Agreement was only a few hours old when Canada secured a United States loan of \$300,000,000 and immediately clamped an embargo on the importation of practically every paper item on which it had made even slight concessions, as well as on other items not mentioned in the agreement. Canada is enforcing its Antidumping Act by strict automatic application of extra duties on any merchandise imported at any price which it considers to be lower than the ruling price in the United States. The policy of setting an artificial valuation on imported goods from the United States has been abandoned but antidumping duties are still levied by various methods of computing selling prices, such as when there is a difference between United States f. o. b. mill prices and sales with freight allowed.

Paper manufacturing conditions in Canada, more than in any other country, are comparable to those in the United States, particularly in the wages which constitute such an important part of the cost of production. Without selecting Canada, therefore, as an invidious comparison, but simply on the basis of the comparability of the industry in the two nations, it is illuminating to list the relative tariff rates in the two countries.

In the Geneva agreements, Canada made concessions on paper to a maximum of 2½ percent, except on hand made papers, not produced in this country. The United States cut many of its rates in half. The old and new Canadian rates compared with the new United States rates on the only grades on which Canada made reductions are:

Grade	United States rate (equivalent ad valorem)	Canadian rates	
		1947 rate	1948 Geneva rate
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Vegetable parchment.....	6.6	25	22½
Tissue wrapping.....	26.7	25	22½
Kraft wrapping.....	20	25	22½
Paperies.....	15	27½	25
Sulfite and other wrapping.....	25	25	22½

Taken from another basis, that of relative rates of duties on paper of all major grades, the present United States and Canadian rates follow:

Grade	United States rate (equivalent ad valorem)	Canadian rates	
		<i>Percent</i>	<i>Percent</i>
Uncoated printing.....	10.8		22½
Standard newsprint:			
Valued at not over 2½ cents.....	Free		12½
Valued at over 2½ cents.....	Free		11½
Plain paperboards.....	10		22½
Processed paperboards.....	7.5		25
Tissue.....	16.7		22½
Writing.....	15		22½
Kraft wrapping.....	20		22½
Other wrapping.....	25		22½
Hanging raw stock.....	7½		22½

A special provision of Canadian law imposes a 25-percent excise tax on articles made in Canada from imported materials or parts.

*Mexico.*—In 1942 the United States and Mexico entered into a joint agreement for mutual reduction of duties. In December 1947 Mexico unilaterally canceled all the concessions it had made in this agreement, and in addition increased its duty rates on nearly all other commodities, the average increase being about 30 percent. The United States, as far as can be learned, has taken no action to cancel any of the concessions it made to Mexico. The Administration held hearings in February at which American exporters were allowed to argue for restoration of the agreement rates, and reductions of nonagreement items, but domestic manufacturers were denied the opportunity to ask for a cancellation of concessions made to Mexico. Mexico's justification for this action was its economic position and the agreement was canceled by utilizing the escape clause in the 1942 agreement. Incidentally, the plea of economic troubles is now being used by all nations as justification for their failure to carry through their Geneva pledges.

*United Kingdom.*—Britain made no tariff concessions on paper at Geneva, though she was the direct beneficiary of over 25 United States rate reductions on paper. The United Kingdom secured a loan of several billion dollars from the United States, then placed either a low import quota or an outright embargo on all American papers. Within the last few days a further 25 percent reduction of imports from the Western Hemisphere has been ordered.

*France.*—Before France entered the Geneva conference, it changed its basis of computing duties, with the broad effect of materially increasing its former rates. The reciprocal negotiations were then based on an inflated French tariff schedule, on which "concessions" were granted sufficient to bring the concession rates to approximately those previously in effect.

*Benelux.*—Belgium, Netherlands, and Luxembourg through a customs union entered into a free-trade economy as between those countries, and adjusted the duty rates previously in effect in all three countries. This adjustment did not materially affect the later rate reductions effected at Geneva.

*Netherlands.*—An embargo has been put into effect on imports from dollar countries. At this writing there has been no itemization of the commodities placed under this embargo.

*Brazil.*—Because of currency problems, Brazil increased its over-all duty rates about 40 percent before beginning negotiations for reductions. Import quotas on shipments from dollar countries are about to be announced.

*Australia.*—After receiving concessions on its principal exports to the United States, Australia placed a practical embargo on imports from "dollar countries," principally the United States.

*Argentina.*—Orders have been issued that all export and import trade shall be limited to shipments in ships under the Argentine flag, to the maximum extent to which such shipping is available. Duty rates in Argentina, with which the United States has had a trade agreement for several years, are of little consequence inasmuch as duty is computed on arbitrary values fixed by the Argentine authorities, without regard for actual selling prices, or customary values in the countries of origin. Surcharges up to 20 percent are authorized in some cases and importers may not remit abroad for their purchasers for 5 years.

*China.*—A participant in the Geneva agreements, China is about to impose quota restrictions on imports from dollar countries.

*Norway.*—Licenses to restrict imports from the United States and other dollar countries are about to be put into effect.

*Miscellaneous.*—Without specifying individual countries, there is a general tendency to restrict imports from the United States, as well as other countries, by various administrative measures. These steps violate the original purpose of the Geneva conference to reduce tariff barriers. Much of the difficulty in trade with other nations is the apparent lack of dollar exchange, due in chief measure to the manner in which other nations have depreciated their currency until the dollar is almost the world's only hard money. While no specific instance can be mentioned, it has been found that sterling bloc nations have been inclined to give such preference to other nations in that bloc as to practically exclude our merchandise. British crown colonies have placed import restrictions on goods from dollar countries. Import licenses in the Netherlands have been so restricted that United States paper is practically excluded, to the advantage of Sweden, Norway, Finland, Czechoslovakia, Poland, and Austria. The import license system of India has operated to almost exclude American papers, while price limitations have permitted imports from low-wage European countries. Many

restrictions are applied against products of other industries, but the instances cited are those in which United States manufacturers of paper have come into individual conflict with foreign restrictive measures.

#### POINT No. 4. ADMINISTRATIVE PROVISIONS

Previous reciprocal trade agreements have been primarily concerned with changes in duty rates. The Geneva agreements in addition cover administrative practices which in many respects will have a more serious, though less direct, effect upon imports than the rate reductions. A change in the basis of determining values upon which duties are computed, for instance, enabled Sweden to sell wrapping paper to the United States at a discount of 40 percent from the price in Sweden. With a duty rate of 25 percent, the amount of duty collected was thus cut to 15 percent.

The following proposed changes in present administrative provisions will require action by Congress to amend the existing Tariff Act:

*Countervailing duties.*—The act of 1930 provides for the automatic imposition of countervailing duties equivalent to subsidies granted by foreign countries. The preamble to each Geneva agreement specifies that such countervailing duties shall be applied only when substantial injury results to the domestic industry of the country to which such imports are made.

*United States value.*—The Geneva provisions for determining value as a basis for assessing customs duties entirely eliminate what is known as United States value, a principle for which domestic industry fought long, and eventually with success. The proposed value provisions afford far wider latitude for computing dutiable values than now exists.

*Conversion of currency.*—The provisions in general clauses covering currency values are materially different from those now in effect, and will give importers an opportunity to establish lower values on which duty would be assessed.

Other modifications not requiring congressional action which will permit reduced collections of duties include the following:

Nations are permitted an adjustment up to 20 percent in the par value of their currencies. In effect this is a reduction of duty rates. Under the terms of the agreements signed by the State Department at Geneva, Canada could devalue its currency 10 percent and sell its printing paper in this country at the equivalent of a duty-free basis.

Various provisions restrict administrative action to instances where specific injury must be proved in order to put into effect any limitations on import quotas or valuations. In this country, administrative practice has been such that proof of injury has seldom been satisfactory to officials having power to act.

Violent complaints have been made by importing interests and foreign nations against United States procedure in classifying goods for duty and in computing values on which duty rates are assessed. There is no basis for these complaints. Under United States law there are competent courts of justice in which errors of any kind in levying duties can be corrected. On the other hand, American shippers have no such recourse. They must accept the rulings of foreign customs officials, as no other country has any judicial procedure of the type afforded foreign shippers in our market. Consequently there is no reason to overturn present administrative and court procedures to the advantage of foreign interests whose sole aim is to traffic in imported merchandise at the expense of domestic investments and employment.

A typical example of these unjustified complaints is the Canadian criticism of the United States requirements for marking of imported merchandise with the country of origin. The Canadian law is more rigid than that of the United States. The United States law in broad terms merely requires foreign merchandise to be so marked as to allow the ultimate consumer to know the source of the goods he purchases; there are numerous broad exemptions, and few special requirements. In Canada, however, the regulations are filled with specific provisions for the method of marking and there are few exceptions. Under the United States law, articles required to be marked are subject to 10 percent additional duty, but the importer can secure the refund of this duty if he marks his merchandise before it leaves customs custody. The Canadian law provides the same 10 percent penalty duty, but grants no refund after the goods are marked. Under Canadian law the importer not only pays the additional duty, but must in addition mark the goods before they leave customs custody, under penalty of re-exportation or confiscation.

The marking provisions in all sections of the British Empire are more rigid than those in the United States, and world-wide practice is in few, if any, cases more liberal than the American.

POINT NO. 5.—ESCAPE CLAUSES

When domestic industries expressed fears as to the dangers which might result from reciprocal trade agreements then in prospect, Senators Vandenberg and Millikin secured from the President an assurance that any new agreement would contain escape clauses like those in the trade agreement with Mexico. In theory this would make it possible to cancel concessions which in practice proved injurious to American interests. Resting on this assurance, opposition to the reciprocity program was partially dissipated.

The outcome, however, indicates that these escape clauses are so phrased that they become a meaningless gesture. They provide that the President may negotiate for the cancelation of any concession granted by the United States, but only after injury is proved before the United States Tariff Commission. The rules established for the determination of injury have been so complicated by regulations for the guidance of the Tariff Commission that compliance by a domestic industry is almost impossible. To prove injury an industry must disclose details of all its production costs and financial operations, not only those affecting the commodity in question.

A pledge was given Congress that concessions would be negotiated only with the principal foreign producer of the commodity in question. Instead of keeping this promise, until very recently those negotiating the Geneva agreements refused to disclose the identity of the nations to which specific rate reductions had been granted. A request from the Ways and Means Committee for this information was answered by a letter from the President stating that the data requested would be provided when he saw fit.

All negotiations were carried on in such an atmosphere of secrecy that domestic industries were not only given no voice in the negotiations affecting their very existence, but were denied an adequate opportunity to present their case. Negotiators representing other nations were in constant consultation with the business interests of their own countries.

The entire history of the negotiation of these and other agreements is such that domestic industry is justified in its opposition to what appears to be a trend to a free-trade economy.

POINT NO. 6. MENACE TO INVESTORS AND EMPLOYEES

When the Committee for Reciprocity Information granted hearings in advance of the Geneva negotiations on the thousands of items listed for tariff reduction negotiations, the American Paper and Pulp Association filed a detailed brief in which its importance in the domestic economy was portrayed.

It is not amiss, however, as part of this statement, to briefly summarize some of the outstanding facts about the industry.

The United States paper manufacturing industry represents an investment of over \$3,000,000,000. Its employees are for the most part highly skilled workmen, and 50 percent of the industry is located in communities which are at least 50 percent dependent on its operation for their existence.

A survey of labor conditions here and abroad shows that, job-by-job, American paper mill employees receive about three times the wages paid abroad.

The domestic industry has no technological or mass-production advantages over any other country. It takes no more labor to make a ton of paper in Scandinavia than it does in the United States. Canadian estimates that labor receives 38 cents of every dollar paid for newsprint, is evidence that the impact of low duty rates and foreign competition is chiefly upon American labor.

When mill operations fall below 75 percent of capacity the industry ceases to operate at a profit. Its profits have never been excessive, and are far below those in other industries of comparable size. When operations drop below the 75 percent figure, the usual result is a reduction in employment. Every ton of imported paper represents the loss of employment for one high-wage employee for 3 days.

The paper industry ranks fifth in the entire roster of American industries in value of product. Importations competitive with its mills form the largest single item in the foreign trade field.

There is a present shortage of supplies, due to excessive demand. New construction and improvements will result in an equalization of supply with demand

by the end of 1948. Huge investments were made during the war period to meet the demand and to substitute domestic products for the imports formerly received from countries barred from this market by the war. Production in 1948 will be approximately 22,000,000 tons as against an output of 11,000,000 tons in 1938.

The prosperity of the paper industry is bound to the standards of living of its employees to an extent not existent in any other major industry. Every ton of imported paper means an impairment of investment in domestic mills and a reduction of the potential working hours of the workers. In bartering the domestic paper market for doubtful advantages in foreign markets for other industries, the trade-agreement program is importing cheap foreign labor, and exporting our prosperity.

#### POINT NO. 7. A BALANCED TARIFF POLICY

The previous sections of this statement have been devoted to a review of the actual and potential damage to the domestic paper industry as a result of reciprocal-trade agreements already in effect.

This section outlines not only the safeguards which this industry believes should be retained in the tariff laws but also its belief that action should be taken by Congress to effect certain reforms to strengthen the tariff act as it stands, if this country is to maintain a balanced tariff policy for the protection of American industry.

The views are summarized herewith:

1. The present countervailing duty provision of the tariff act, section 303, providing additional duties to meet export subsidies by exporting nations, should not be weakened as proposed by the State Department negotiators at Geneva. Rather it should be strengthened to make it clear that payments in the nature of tax refunds or distributions out of special funds created by export taxes in terms of sellers markets (as is now being done by Sweden) fall within the category of export grants as described in section 303.

2. The provisions for United States value determination in section 402 (E) of the tariff act should not be weakened as proposed by the Geneva agreement.

3. The provisions for currency evaluation in section 522 of the tariff act should not be weakened as suggested by the Geneva negotiators.

4. The Geneva agreements permit devaluation of currency not to exceed 20 percent. This is equivalent to a reduction of duties at the unilateral instance of a foreign country, not as the result of negotiations, reciprocal or otherwise. Rates of duty provided under the Geneva agreements were based on existing currencies. There should be a provision of law to impose additional duties to compensate for currency devaluation by any foreign country whenever such depreciation would result in the equivalent of a duty reduction to less than 50 percent of the rates of duty in effect January 1, 1945, used as a base in the existing law, which limits reciprocal-trade concessions to 50 percent of those rates.

5. Merchandise shipped to this country by State trading units and/or foreign cartels should be automatically subject to an antidumping duty to equalize the selling price, plus United States duty, with the American selling price.

6. Under existing law, foreign producers evade the American provision for computation of duty on the freely offered price in the country of origin by imposing certain restrictions on sales in the country of origin, thus allowing the foreign mills to set their own export price on which the United States must compute duty. This situation, known as the controlled market, should be corrected by provisions to make any merchandise so controlled subject to duty on the basis of American valuation.

7. All future trade agreements should be negotiated subject to congressional approval, as is the case with all other treaties. The present act fails to provide any review of administrative action which is provided for in all other laws creating administrative procedure. Congress should not delegate its constitutional tariff-making powers without providing for some form of review of the action taken, to assure its conformity to congressional intent.

8. Section 516 of the Tariff Act of 1930, providing for domestic manufacturers' protests, should be restored to the Tariff Act. This provision was deleted by the original Reciprocal Trade Agreement Act. Under the present procedure, a foreign producer or his American agent has ready access to the United States courts to rectify any error made by customs officials in the classification or appraisal of imported merchandise. The domestic producer, on the other hand, is denied recourse to the courts to correct any such error which may be to his

disadvantage or to the disadvantage of the Government. A court procedure limited to the foreigner and denied the American is not only absurd and illogical, but is in violation of any theory of justice in this or any other country.

9. The Anti-Dumping Act, now wholly ineffective, should be amended to make the imposition of an antidumping duty automatic upon the finding by customs officials that foreign merchandise is sold at less than the ruling price in the country of its origin. At present injury must be proved to the satisfaction of administrative officials. An example of its working: A domestic paper industry asked an antidumping ruling, which was denied on the ground that the complaint was made by the industry as a whole, and that individual damage to its members was not shown; a later complaint by individual producers involving the same merchandise was denied on the ground that, while injury was admitted to an individual company, injury to the industry as a whole was not shown.

#### SUMMARY

The American paper industry for years has based its action on tariff matters on the theory that there should be sufficient tariff protection to give the American manufacturer an equal opportunity in his home market with the foreign producer. It asks no more, but believes that any tariff policy which throttles a domestic industry of such magnitude is a danger to the national economy.

The paper industry believes that it is not the part of wisdom to bankrupt a domestic industry involving a production valued at \$1,000,000,000 a year to develop prosperity abroad. This country cannot do its share toward maintaining world prosperity if its own economic stability is sacrificed.

Imports of paper and pulp into the United States totaled a value of \$618,776,406 in 1947, providing the largest number of dollars for dollar-hungry foreign nations afforded by any single industry.

Domestic demand forced the doubling of output between 1938 and 1948, a rate of expansion not equaled in any but emergency war industries. The paper industry protests against the procedure now under way by which the added tens of millions invested in expansion to meet an increased domestic demand may be sacrificed to raise the standards of living abroad.

#### EXHIBIT No. 2

##### PARAGRAPH 1401

*Printing papers.*—The duty rate under the Tariff Act of 1930 was one-fourth of 1 cent per pound and 10 percent ad valorem. This was reduced by the trade agreement with Canada, effective January 1, 1939, to one-fifth of 1 cent per pound and 5 percent. Imports in 1938, prior to the reduction, totaled 9,500 tons, valued at \$532,512. In 1939, the first year after the rate was changed, imports rose to 13,400 tons valued at \$729,624. In 1947 imports were 74,700 tons, valued at \$7,953,055.

##### PARAGRAPH 1402

*Plain paperboard.*—The duty rate under the act of 1930 was 10 percent with a countervailing rate proviso imposing on any imported board a rate of duty equivalent to that levied by the country of origin. The Canadian rate for such board was 25 percent, and duty was collected on Canadian imports at this rate. By the original Reciprocal Trade Agreement Act this countervailing duty proviso was canceled. Imports of board from Canada in 1933 totaled 1,768,079 pounds, valued at \$28,201. Although the countervailing duty rate nullification was not in effect until the Trade Agreement Act was passed, June 12, 1934, Canadian imports in that year totaled 5,906,843 pounds, valued at \$92,794. In 1936, the first full year of the Agreement Act, imports were 10,100,342 pounds valued at \$139,257. Imports from Canada in 1947 had risen to 25,832,634 pounds, valued at \$1,187,821.

*Shoe board.*—No separate statistics were compiled of this material until 1939, but as a result of the elimination of the countervailing duty Canadian shoe board came into this country in increasing quantities. One Canadian company increased its capacity 50 percent, and an entirely new company was formed, both for increased export business; until a strike was called in Canada in 1947 imports were at double the prewar rate.



## PARAGRAPH 1404

*Tissue paper.*—The rates of duty on various tissue papers were reduced by trade agreements with Canada and the United Kingdom effective January 1, 1939. The new rates, which segregated these papers by weights and values, were a reduction of 50 percent on lightweight and 33½ percent on heavier weights. Imports of all tissues in 1938 totaled 1,310,919 pounds, valued at \$781,027. Despite the war developments in 1939 when the lower rates became effective, imports increased to 1,763,306 pounds valued at \$905,758. In 1947 imports had risen to 2,902,868 pounds valued at \$999,498. It will be noticed that the reduced duty rates caused a large increase in the imports of lower priced papers, such as fruit wrapping and waxing tissue which mills can produce at a greater speed than is possible in the higher grades.

*Carbon papers.*—A specific example of the effect of the duty reduction is in carbon papers. In 1938 imports totaled 663,122 pounds valued at \$330,711. In 1939 when rates were reduced on January 1, the volume rose to 1,120,145 pounds valued at \$536,020. In 1947 imports were 853,767 pounds valued at \$452,630. Inasmuch as this grade is imported almost entirely from the United Kingdom, England's industrial difficulties explain why the volume has not reached prewar totals.

*India Bible paper.*—The rate of duty on india Bible paper weighing from 10 to 20½ pounds per ream was reduced by the British agreement, effective January 1, 1939, from 4 cents per pound and 15 percent to 2 cents per pound and 10 percent. Imports in 1938 totaled 33,147 pounds valued at \$25,029, increased to 41,479 pounds the first year of the agreement, and despite the war rose to 123,359 pounds in 1941, valued at \$68,038. In 1947 imports rose still higher to 160,254 pounds valued at \$101,851.

Imports of carbonizing tissue in 1947 were slightly less than 2 percent of domestic production; imports of india Bible paper are estimated to have been about 5 percent of domestic output.

These papers are manufactured by relatively few domestic mills, but to those mills, the output is vital. In 1947 there were about 12 domestic companies manufacturing carbonizing tissue and 7 which produced india and Bible papers. This output is highly important to the mills manufacturing these papers. A loss in production because of imports has an immediate and direct effect upon mill output and its labor force.

Imports of crepe paper on which rates were reduced in 1939 showed no significant change. In 1948, however, under a second rate reduction, imports are at a surprisingly increased rate.

## PARAGRAPH 1405

*Vegetable parchment.*—Under the act of 1930 the duty rate was 3 cents per pound and 15 percent; this was reduced by the trade agreement with Belgium, effective May 5, 1935, to 2 cents per pound and 10 percent and by the Geneva agreements to 1 cent per pound and 5 percent. In 1934, imports were 89,317 pounds valued at \$26,283. In 1935, though the reduced rate was in effect only 8 months, imports rose to 176,759 pounds, valued at \$43,832, and in 1936 to 266,371 pounds, valued at \$41,170 the increased tonnage being in wrapping grades. Imports since the war have been confined to high-priced spinning parchment, foreign mills not having yet returned to volume output of wrapping grades.

*Simplex decalcomania.*—The duty rate of 5 cents per pound and 10 percent was reduced to 2½ cents per pound and 10 percent by the British agreement, effective January 1, 1939. Imports in 1938 were 31,717 pounds valued at \$6,004. In 1939, the first year under the agreement, imports rose to 114,529 pounds, valued at \$19,685. In 1947 the imports were 356,344 pounds, valued at \$92,005. The rate has been cut again under the Geneva agreement to 1¼ cents per pound and 5 percent. This material is made by a single English company. One American company produces the bulk of the domestic product as one of its most important lines. Establishment of this industry was only possible through the protection originally provided.

## PARAGRAPH 1407

Reductions in duty rates on bristol, hand-made and drawing papers were effected prior to 1940, but no changes of consequence resulted in these small tonnage, high-priced grades.

## PARAGRAPH 1409

*Kraft wrapping paper.*—The rate in the act of 1930 was 30 percent. This was reduced by the trade agreement with Sweden, effective August 5, 1935, to 25 percent, and was further reduced to 20 percent by an agreement with Finland, effective November 2, 1936. Imports in 1934 were 4,300 tons valued at \$317,809. In 1935, even though the reduced rate was only in effect 5 months, imports were 12,340 tons, valued at \$815,790. In 1936 imports were 24,000 tons, valued at \$1,536,148. Imports in 1937 were 16,600 tons, valued at \$1,176,711, and in 1947, 10,900 tons valued at \$1,766,939.

*Sulfite and other wrapping paper.*—The rate in the act of 1930 was 30 percent. This was reduced by the Swedish agreement to 25 percent effective August 5, 1935. Imports in 1934 were 520 tons, valued at \$37,374. In 1935 imports were 550 tons valued at \$42,876, and in 1936, 660 tons valued at \$52,740. In 1947, however, imports were 11,080 tons, valued at \$1,856,584.

*Hanging raw stock.*—The duty rate was reduced from 10 to 7½ percent by the agreement with Canada, effective January 1, 1939. Imports in 1938 totaled 151,862 pounds, valued at \$4,346, but had reached a total of 941,101 pounds, valued at \$50,791 in 1947.

Inasmuch as there was no segregation of statistics for straw paper and filtering paper of special types prior to the reduction of duty on some grades, it is impossible to give details of the known increases in shipments due to the lower duty rates.

Blotting paper imports have been in such small volume that increases in imports are without significance.

## PARAGRAPH 1413

*Paperboards vat-lined surface colored or otherwise processed.*—The duty was reduced by the agreement with Sweden effective August 5, 1935, from 30 percent to \$14.50 per ton, but not less than 15 percent or more than 30 percent. That rate on January 1, 1948, was cut in half again. Imports in 1934, the year before the agreement became effective totaled 1,422,960 pounds, valued at \$36,423. In 1936 the total was 3,602,159 pounds valued at \$85,818, and in 1947, while the tonnage was almost identical with that of 1936, the value had risen to \$195,566, indicating that the reduction in rate had encouraged the importation of much finer grades of board.

*Stereotype matrix board.*—There are no figures to show the increase in imports resulting from a reduced rate because no segregation of such board was made statistically, until the rate was reduced.

*Ribbon fly catchers.*—A duty reduction from 35 percent to 27½ percent, effected through the agreement with Belgium in 1935, resulted in such an increase of imports at low prices from Belgium and even larger quantities from Japan that the United States company which invented this article has been forced to discontinue its manufacture. All available supplies are now understood to be of foreign origin.

## PARAGRAPH 1672

*Standard newsprint.*—Placed on duty free list in 1913. The previous duty rate was 3/16¢ per pound on paper valued at not over 2½¢ per pound, with a higher rate on better grades. Imports totaled 315,000 tons in 1913; in 1947 imports totaled nearly 4,000,000 tons.

## PULPBOARD FOR WALLBOARD

Pulpboard for use in the manufacture of wallboard is in two classifications, plain and vat-lined under paragraphs 1402 and 1413. The duty rates were reduced, effective January 1, 1936, from 10 to 5 percent on the plain, and from 30 percent to \$7.50 per ton, or approximately 15 percent on the vat-lined. All of this material is shipped from Canada to a single American company which owns the Canadian plant, thus giving this company a definite competitive advantage over its dozen or more domestic competitors. There was no statistical segregation of these imports prior to 1936. In 1936, under the reduced rate of duty, imports were 11,200 tons, valued at \$432,905, and in 1947 the total was 31,000 tons, valued at \$2,062,538.

EXHIBIT No. 1.—Rates of duty on paper under Act of 1930 and various reciprocal trade agreements

Grade	Imports in 1947		1930 rate	1947 rate	1947 equivalent ad valorem rate	1948 rate	1948 equivalent ad valorem rate
	Pounds	Value					
Printing not over 3¼ cents per pound.....	81,720	\$2,795	¼ cent per pound and 10 percent	½ cent per pound and percent	Percent 10 8	½ cent per pound and 5 percent	Percent 10.8
Do.....	149,371,287	7,950,257	do	do	8 75	do	8 75
Wrapping:							
Kraft, m. g.....	5,935,524	531,092	30 percent	20 percent	20	20 percent	20
Kraft, m. f.....	15,937,357	1,245,847	do	do	20	do	20
Sulfité, m. g.....	7,055,495	700,572	do	25 percent	25	25 percent	25
Sulfité, m. f.....	3,999,287	353,731	do	do	25	do	25
9-point straw.....	1,048,406	42,632	do	15 percent	15	7½ percent	7½
Wrapping, decorated, not printed.....	1,490	305	4½ cents per pound and 10 percent	4½ cents per pound and 10 percent	32	4½ cents per pound and 10 percent	32
Wrapping, n. s. p. f.....	11,108,615	802,281	30 percent	25 percent	25	25 percent	25
Glassine.....	82,336	8,862	3 cents per pound and 15 percent	3 cents per pound and 15 percent	43	3 cents per pound and 15 percent	43
Vegetable parchment.....	20,987	13,037	do	2 cents per pound and 10 percent	13 2	1 cent per pound and 5 percent	6 6
Wax-coated.....	18,549	2,062	do	3 cents per pound and 15 percent	42	1½ cents per pound and 10 percent	23 2
Greaseproof, n. s. p. f.....	42,540	10,049	do	do	28	3 cents per pound and 15 percent	28
Writing, letter and note.							
Ruled, 110 square inches or over.....	7,010	3,546	3 cents per pound and 25 percent	3 cents per pound and 25 percent	31	1½ cents per pound and 12½ percent	15 5
Ruled, under 110 square inches.....	19,335	7,943	3 cents per pound and 30 percent	3 cents per pound and 30 percent	37	1½ cents per pound and 15 percent	18
Plain, 110 square inches or over.....	16,704	4,934	3 cents per pound and 15 percent	3 cents per pound and 15 percent	25	1½ cents per pound and 7½ percent	12
Plain, under 110 square inches.....	5,731	2,826	3 cents per pound and 20 percent	3 cents per pound and 20 percent	27	1½ cents per pound and 10 percent	13
Drawing:							
Ruled, 40 cents per pound and over.....	538	329	3 cents per pound and 25 percent	2 cents per pound and 20 percent	23 4	1 cent per pound and 10 percent	11
Plain, under 40 cents per pound.....	4,045	1,379	3 cents per pound and 15 percent	3 cents per pound and 15 percent	24	3 cents per pound and 15 percent	2
Plain, 40 cents per pound and over.....	140,511	93,682	do	2 cents per pound and 10 percent	13	1 cent per pound and 5 percent	6
Bristol board, plain, over 15 cents per pound.....	4,111	2,325	do	3 cents per pound and 15 percent	20	1½ cents per pound and 7½ percent	10

## EXHIBIT NO. 1.—Rates of duty on paper under Act of 1930 and various reciprocal trade agreements—Continued

Grade	Imports in 1947		1930 rate	1947 rate	1947 equivalent ad valorem rate	1948 rate	1948 equivalent ad valorem rate
	Pounds	Value					
Hand-made:					Percent		Percent
Ruled, under 50 cents per pound.....	1,234	322	3 cents per pound and 25 percent.	3 cents per pound and 25 percent.	36.5	1½ cents per pound and 12½ percent.	1
Ruled, 50 cents per pound and over.....	2,163	4,025	do.....	2 cents per pound and 20 percent.	21	do.....	
Plain, under 50 cents per pound.....	3,530	1,307	3 cents per pound and 15 percent.	3 cents per pound and 15 percent.	23	1½ cents per pound and 7½ percent.	11.5
Plain, 50 cents per pound or over.....	14,582	10,183	do.....	2 cents per pound and 10 percent.	13	do.....	9.6
Writing, n. s. p. f.:							
Ruled.....	16,314	10,230	3 cents per pound and 25 percent.	3 cents per pound and 25 percent.	30	1½ cents per pound and 12½ percent.	15
Plain.....	119,600	20,631	3 cents per pound and 15 percent.	3 cents per pound and 15 percent.	32.4	1½ cents per pound and 7½ percent.	16.2
Combination sheets and envelopes.....		835	40 percent.	40 percent.	40	40 percent.	40
Caperies.....		23,978	do.....	30 percent.	30	15 percent.	15
Surface coated:							
Metal, n. s. p. f. ....	4,027	1,998	5 cents per pound and 15 percent.	5 cents per pound and 15 percent.	25	4½ cents per pound and 10 percent.	19
Metal, under 15 pounds .....	193	630	5 cents per pound and 18 percent.	5 cents per pound and 18 percent.	20	do.....	11.1
Embossed or printed, not litho.....	9,701	9,112	5 cents per pound and 15 percent.	5 cents per pound and 15 percent.	21	do.....	14.8
N. s. p. f. ....	55,916	17,487	do.....	do.....	31	2½ cents per pound and 7½ cents.	15.5
Uncoated, with surface design:							
Not printed.....	2,214	1,279	4½ cents per pound and 10 percent.	4½ cents per pound and 10 percent.	18	4½ cents per pound and 10 percent.	18
Printed or embossed.....	7,783	14,828	4½ cents per pound and 20 percent.	4½ cents per pound and 20 percent.	22	do.....	12.4
Issue:							
Stereotype, not over 6 pounds, not over 15 percent per pound.....	7,965	5,001	6 cents per pound and 20 percent.	3 cents per pound and 10 percent.	14.8	3 cents per pound and 10 percent.	14.8
Copying, not over 6 pounds, not over 15 cents per pound.....	6,512	6,516	do.....	do.....	13	do.....	13
Carbon, not over 6 pounds, over 15 cents per pound.....	284,380	211,034	do.....	4 cents per pound and 15 percent.	20.40	do.....	14
Bibulous, not over 6 pounds, over 15 cents per pound.....	84,950	167,911	do.....	6 cents per pound and 20 percent.	23	6 cents per pound and 20 percent.	23

Pottery, not over 6 pounds, over 15 cents per pound.	46,283	23,575	do.	4 cents per pound and 15 percent.	22.8	3 cents per pound and 10 percent.	15.9
N. s. p. f., not over 6 pounds, not over 15 cents per pound.	57,532	6,747	do.	3 cents per pound and 10 percent.	35.5	do.	35.5
N. s. p. f., not over 6 pounds, over 15 cents per pound.	533	145	do.	6 cents per pound and 20 percent.	42	do.	21
Stereotype over 6, not over 10 pounds, over 15 cents per pound.	2,552	1,499	5 cents per pound and 15 percent.	4 cents per pound and 10 percent.	17	2½ cents per pound and 7½ percent.	11.8
Carbon, over 6, not over 10 pounds, not over 15 cents per pound.	242,647	33,154	do.	2½ cents per pound and 7½ percent.	26	do.	26
Carbon, over 6, not over 10 pounds, over 15 cents per pound.	310,235	197,188	do.	4 cents per pound and 10 percent.	16.3	do.	11.4
For waxing, over 6, not over 10 pounds, not over 15 cents per pound.	68,074	9,307	do.	2½ cents per pound and 7½ percent.	25.7	do.	25.7
Bible, over 6, not over 10 pounds, over 15 cents per pound.	10,844	7,014	do.	5 cents per pound and 15 percent.	22.7	do.	11.4
N. s. p. f., over 6, not over 10 pounds, not over 15 cents per pound.	1,396,121	181,614	do.	2½ cents per pound and 7½ percent.	26.7	do.	26.7
N. s. p. f., over 6, not over 10 pounds, over 15 cents per pound.	205,747	42,028	do.	5 cents per pound and 15 percent.	39.5	do.	20
Bible, 10-20½ pounds per ream.	160,252	101,851	4 cents per pound and 10 percent.	2 cents per pound and 10 percent.	13.1	2 cents per pound and 5 percent.	8.14
Crepe:							
Not over 12½ cents per pound.	3,310	266	6 cents per pound and 15 percent.	3 cents per pound and 7½ percent.	44.7	1½ cents per pound and 3¾ percent.	22.3
Over 12½ cents per pound.	1,976	551	do.	6 cents per pound and 15 percent.	26.5	3 cents per pound and 7½ percent.	18.7
Pulpboard rolls for wallboard:							
Plain	22,918,599	657,744	10 percent.	5 percent.	5	5 percent.	5
Processed	39,277,289	1,404,920	30 percent.	15 percent.	15	10 percent.	10
Insulation board, 7½ inches thick and over	2,449,544	133,234	10 percent.	10 percent.	10	do.	10
Wallboard, n. s. p. f., not laminated	1,577,474	98,609	do.	do.	10	do.	10
Shoeboard	1,510,690	99,086	do.	do.	10	do.	10
Strawboard, plain	4,541,661	153,637	do.	do.	10	do.	10
Beer mat board, plain	684,663	25,511	do.	do.	10	do.	10
Fiberboard	120,814	10,363	do.	do.	10	do.	10
Paper and pulpboard:							
Plain	41,246,417	1,744,436	do.	do.	10	do.	10
Processed	3,660,050	195,566	30 percent.	\$14.50 per ton.	13.5	\$7.25 per ton.	6 75
Pressboard	3,844	939	do.	30 percent.	30	15 percent.	15
Cigarette bobbins	4,023	2,230	60 percent.	45 percent.	45	30 percent.	30
Cigarette:							
Flat	88	68	do.	do.	45	do.	30
Block and book	3,475	3,251	do.	do.	45	do.	30
Hanging, raw stock	941,101	50,791	10 percent.	7½ percent.	7½	7½ percent.	7½
Blotting	1,751	739	30 percent.	15 percent.	15	do.	7½
Gummed	4,440	1,906	5 cents per pound.	5 cents per pound.	11.6	5 cents per pound.	11.6
Simplex decal.	356,344	91,999	5 cents per pound and 10 percent.	2½ cents per pound and 10 percent.	19.7	1½ cents per pound and 5 percent.	9.80
Paper and pulp wadding	510	145	6 cents per pound and 15 percent.	6 cents per pound and 15 percent.	36	6 cents per pound and 7½ percent.	26.6

EXHIBIT No. 1.—Rates of duty on paper under Act of 1930 and various reciprocal trade agreements—Continued

Grade	Imports in 1947		1930 rate	1947 rate	1947 equiv- alent ad va- lorem rate	1948 rate	1948 equiv- alent ad va- lorem rate
	Pounds	Value					
Filtering:					<i>Percent</i>		<i>Percent</i>
Under 75 cents per pound .....	26,749	12,644	5 cents per pound and 15 percent.	5 cents per pound and 15 percent.	25 6	5 cents per pound and 15 percent.	25.6
75 cents per pound and over .....	7,977	11,115	do .....	2½ cents per pound and 7½ percent	9 3	2½ cents per pound and 7½ percent.	9.3
Sheathing paper .....	281,800	9,671	10 percent .....	10 percent .....	10	5 percent .....	5
Stencil, not mounted .....	10	12	30 percent .....	30 percent .....	30	15 percent .....	15
Paper, N. S. P. F. ....		104,283	do .....	do .....	30	30 percent .....	30
Plain basic photo .....	303,552	140,159	5 percent .....	5 percent .....	5	5 percent .....	5
Plain basic baryta, for photos .....	458,252	135,156	do .....	do .....	5	do .....	5
Weighted averages .....					13 7		12

NOTE.—Above rates of duty were those actually collected on 1947 imports and the rates which would have been collected in 1948 on 1947 shipments.

Senator BUTLER. Thank you, Mr. Canfield.

Mr. CANFIELD. Thank you.

Senator BUTLER. We will now call Walter W. Cenerazzo.

**STATEMENT OF WALTER W. CENERAZZO, PRESIDENT, AMERICAN WATCH WORKERS UNION, WALTHAM, MASS.**

Mr. CENERAZZO. My name is Walter W. Cenerazzo, president of the American Watch Workers Union of Waltham, Mass. I represent a group of local unions which are the watch workers at Waltham, Mass., the Waltham Watch Co., the watch workers of the Hamilton Watch Co. in Lancaster, Pa., the watch workers at Elgin and Aurora of the Elgin Watch Co., and the new Elgin plant in Lincoln, Nebr.

Our organization is a small group of less than 8,000 workers in a precision industry, the American jeweled watch field. The only competition to that industry is in Switzerland, with 60,000 watch workers with a highly developed watch machine industry.

I have been before Congress many times, and before this committee. I have been before the House Ways and Means Committee. We have been before administrative agencies, trying to seek relief, and at all times we have been told "Have you been hurt"?

In other words, the only way that it is possible under this reciprocal trade agreements program to get relief is when a company is already out of business, or an industry has already died.

The very essence of economics is being overlooked by the administrators of this act, for they fail to realize that with a high income, national income, that an industry in this country with wages going up and materials going up must either expand or must die. You never stand still. You either grow or you die. You must take new technological improvements, new machinery, new ideas. You must at all times produce more at less cost, and you must sell more products so that you can spread your overhead.

Now, before the war the American watch industry was concentrated only in three cities, Waltham, Mass., Lancaster, Pa., and Elgin, Ill. Now let us take the biggest one, Elgin, Ill., and see what has happened.

Before the war that company employed about 4,500 persons under one roof in one city. The war came along, went 100 percent precision work for the United States and the Allies, went out of the civilian market completely. During that war period the wages of the industry, of that company, which are extremely low in comparison with other precision industries, came up to the area of Elgin rates. The company reduced its watch production from 4,500 employees to about 2,200 employees and went into other precision instruments that were necessary for the war, which the War Department and the Allies sorely needed.

They started a new plant in Aurora for the making of new bearings when they were no longer available to this country because the borders of Switzerland were bordered by occupied France and the Nazis, and they could not ship anything, any war material out of Switzerland.

That plant employed up to about 1,000 people. Then they started a time fuse plant with 1,200. After the borders of occupied France were freed, Elgin Watch Co. had reduced the unit cost of jewels from \$1 to 21 cents during that 1½ years that they were making jeweled

bearings, but they could import them from Switzerland at from 3 to 5 cents apiece. So what happened? Those 1,400 people were laid off. Jewel production was stopped in this country and the development which had occurred up to this point was completely killed, forever lost. The know-how was forever lost to this country.

The same thing happened in the other companies that produced jeweled bearings, even though essential to national defense, and we were caught with the airplane industry so sorely needing these jewels. We scuttled that plant as far as jewel making was concerned.

The same thing happened at the Hamilton Watch plant and happened at the Bird Jewel Co. in Waltham, Mass.

Then after the war ended on VJ-day, the 1,200 people on the time fuse were laid off, and the company started again to produce watches for civilian use. They had been out of the market for 5 years. They found many of their customers had gone to other Swiss watch importers, and they started again. They tried to hire back their employees in the area, and the employees they found had jobs in other industries in that area, and they did not want to come back so that it had to go out to Lincoln, Nebr., to start a new plant, and today there are 1,400 persons employed in Lincoln, Nebr.

Here is what happened in that new plant. The newest technological improvements were put into the plant and what happened? Today there is a dilution of the trade. The watchmaker as we have known him in this country inside of 2 years will no longer exist, as has been proven by the experimentation in that plant, so that today where you had a watch finisher doing one complete job, you now have that job broken down into six classifications of work at lower wages, because it is a diluted job.

That company's production to date is less than it was prewar, and even though last year it made a high profit, it made it through the liquidation of inventory and its ability to go ahead and market its product in such a way as to make a high profit. But the number of units which they produced were less last year than it was in any year prewar, 5 or 6 years prewar.

I take the Hamilton Watch Co. Here is a company that is owned primarily by the people in the Lancaster area. There is no stockholder of that company that owns over 11 percent of the stock. It is primarily owned by people of middle class means in that area. That company during the war made the chronometers which were so essential to the battleships of our Nation, and the battleships of other nations in the world. It made jewels.

After VJ-day it had a large lay-off. Its wages, too, were low prior to the war, and have been brought up in that area. That company found itself in the position that if it stayed at the same production, that it had, its units cost, because of the high-wage cost that had been brought about through the war, and I understand competition with the other companies in the area, that if its units were the same amount, that it would go out of business, because it would have been priced right out of the market, so that it started in this new development of the line which our union agreed to, this new technological improvement. And what happened? Today Hamilton produces about 200,000 more units than it did prewar, but if a depression should set in, the Hamilton Watch Co. would be out of business in 6 months, because



the quick assets of that company will not allow it to go ahead and stay in business with any type of an inventory. It will be forced to lay off because it has had, in order to expand its production, to borrow money from the banks, and it has had to lay in an inventory in order to keep it going. And Hamilton is the only company left which is distributing its product through jobbers left in the United States in the American jewel watch industry.

You take Waltham, the remaining one of the three. Here was a company taken over by investment bankers to take over a mortgage which had been developed during World War I, and the Fitch family, which owned it for many many years, went in hock for \$12,000,000. Mr. Fitch had lost his son in the Black Watch during the first war, and became very patriotic, and went overboard making timing mechanisms for war. He borrowed extensively from the Kidder Peabody group in Boston, and in 1921, they started foreclosing on him, and in 1923 a group of investment bankers moved in to run the plant.

They started cutting wages. They had a long strike lasting 6 months. No union in the plant, but the people went out on strike, trying to resist the wage decrease that was coming on at that time.

In the 20 years that followed, the investment bankers paid themselves off \$20,000,000 in dividends made out of that company, and they practically wrecked the reputation of that company.

Starting in 1941, when the plant was organized, the average wage was for women only 39 cents an hour and only 63 cents an hour for men, no vacations with pay, no paid holidays, no pension plan, no group insurance, the lousiest wages in New England in any precision manufacturing plant.

Now with the war coming on, those wages have gone up. A new company took control, new corporation, new group bought into the company. That man that bought in had wonderful ideas of what he could do with Waltham. His background had always been Swiss watch importing, a former vice president of Bullova Watch. He and his brothers were owners of the Longine Watch. He had always been able to go ahead and become one of the best marketing experts in the watch industry. The union cooperated in putting in new technological equipment. We wanted to see the industry a success. We would do anything we could.

In the 3 years that this man is there, the company has lost money every year, because he thought he had the same bushel basket of importer's profits to dig into. He doubled his advertising, he tripled his selling cost. He sold direct to the retailer instead of going through the jobber, and today in the city of Waltham, Mass., the employees are working 35 hours a week, 5 hours less work per week, rather than see a lay-off of 400 employees.

We had a crisis at Waltham less than a month ago on this issue and the company wanted to lay off 400 people, and the union said no, we don't want to see anyone laid off. We will go ahead and take a voluntary reduction in hours. And the union voted 1,167 to 27 to put in a 35-hour week, so those people would not be laid off, and in addition to that, took an additional week's vacation without pay, instead of having 2 weeks vacation; beginning the second of July, we will have 3 weeks vacation, 2 weeks with pay and 1 week without pay in order to keep the 400 persons employed.

What has happened to the Waltham Watch Co.? It has over 200,000 watch movements in its inventory. All of the high-priced watches which it has manufactured during the last 2 years are in storage, and the low-priced watches, the ones that were selling for \$39.75 and \$42.50 and \$45 have been gobbled up, but that is the kind of movement that the company loses money on, and that is the only type of thing that is selling.

So that the quick assets of that company have been reduced almost \$3,000,000 because of the losses of the company, and its change-over and its stock finances, \$3,000,000 lessened quick assets than it had in 1945.

The Waltham Watch Co. will be out of business unless something is done to go ahead and help them financially by the RFC to keep it going, because the banks, as all bankers are, are not willing to take a chance with their \$3,000,000 of loans in there and they will not see that money lying in an inventory, they must liquidate the inventory so that production of Waltham has been reduced to 1,500 watches per day, and the company now wants to reduce it to 1,200 per day, meaning an even further reduction in hours or a lay-off.

There is your concrete case of an industry being hurt. We have gone to the State Department. No. 1, Waltham wants to buy new machinery. This man Guilden had connections over there and wanted to buy machinery. The Swiss say "We won't sell you the machinery. It is on the restricted list. If you want to buy it, we will sell it on a lease basis only, and you must agree to restrict your production to what it was prewar." That is against the antitrust laws.

Mr. Brown, who is here, Mr. Clayton, who is here, I went to them with Senator Lodge and explained the entire situation. Mr. Clayton promised to do something about it when he went to Geneva. To date nothing has been done.

They promised to negotiate. I have negotiated with many men in my lifetime on labor contracts, and you can do it indefinitely, but if you do not do it in good faith, how do you arrive at any conclusions so that you can get anywhere.

We can not get watch machinery from Switzerland.

Second step, we want a quota put on. We want a Dean Acheson. He saw the light in 1946, and he asked for a quota of 3,000,000. We felt it should be reduced to 2,100,000 to give us an opportunity to catch our breath after the year, so we could get the companies to go ahead and expand. What happened when the quota was finally determined? It was 7,700,000, not 3,000,000, as Mr. Acheson requested.

The imports have grown from an average of 2,100,000 with a maximum in the year of 1929 of 5,691,000, 20-year average of 2,100,000, to an average of 7,700,000 since Pearl Harbor, and an industry that is essential to national defense has seen its imports go from 2,100,000 average to 7,700,000 average, with a maximum of 10,000,000 in 1946, almost 10,000,000 in 1946 over 9,000,000 last year, and God only knows what it will be this year.

The jeweler who must sell the watches, and who is the pivotal point in the sales of watches, all of the national advertising that you do will not do any good, because the jeweler is the one that sells it. If he sells the famous brand highly advertised Swiss watches, that he buys for \$21.50, he can sell it for \$69.50. an American watch which

he retails for \$69.50, he has to pay around \$37 or \$38 for it, so if he sells a Swiss watch he makes \$16 or \$17 more, so the outcome is that he sells the Swiss watch.

This State Department, the Committee on interdepartmental, Federal group or reciprocity, they listen to your story, they are sympathetic, but tell you very frankly, "Well if we do open the door for the watch industry, we have to open it for everyone, so therefore we can't open it for you, and you are not hurt."

They use charming statistics, charming economics to you. I know that figures don't lie, but you can twist figures any way you want them to make them sound good. The fact remains that this industry is going to die. I say this to you, and this committee is responsible for the future of this American jeweled watch industry.

I can go out and get another job, 70 percent of the younger people in our industry can go out and get another job. But there are 30 percent of these people who are over 50 years of age, who have a lifetime of work at stake, a lifetime of seniority with those companies. Where do they go from there?

Sure the State Department can take care of the Swiss watch importers, the one that makes the money, and that is not the watchmaker in Switzerland. We have no fight with them. He is just an honest God-fearing person that is working, doing the best he can, a fellow working at the bench. He receives one-third to one-fourth the wages that we received in this country. He can't buy an automobile. He can't buy a refrigerator. He does not have the money to do it. But the importer who buys that product and puts it in a case, the same as the American watch manufacturer does, dresses it up, Bulova, for instance, last year, with \$38,000,000 worth of sales, made \$3,800,000 in net profit, not gross profit.

On top of that he spent \$2,400,000 for just radio time signals alone, let alone the many pages of national advertising.

Waltham can't compete with that. Hamilton can't compete with that. Elgin can't compete with it. The answer is what do you have to do to get the State Department to act? I have been trying for 7 years. I spent more money on long distance telephone calls, we have tried the direct method of putting advertising in the newspapers, we have gone ahead and taken our hat in hand and been humble, we have been fresh, we have been volatile, we have gone ahead and used all of the pressure that you can use, we have used foul language on occasion to emphasize, we have done everything from one end of the road to the other, and we still can't get action from the State Department.

And Mr. Brown so casually sits back in his chair and says, "Why, the industry isn't dying. Show us some proof." What more proof do you need? I ask any fair, impartial group of economists to come into Waltham and look over the books and over the production procedures at Hamilton, at Elgin, and if they can but show how that industry can stand up in the future, I would like to go ahead and see it proven to me.

I say to you I realize time is getting short, but I think it is the obligation of this committee to put some safeguard in the law. I do not care whether it is reciprocal trade. We don't want logrolling. We know the old system was no good, and we have not got the kind of pressure that the Swiss importers have got, in that they can utilize the Congress, who has a Member on the floor who owns stock in the com-

panies, who can take care of them. We do not want any logrolling. We want a fair administrative group charged by Congress with the responsibility of doing what is right. We believe in a foreign trade board that is capable and qualified with economists and statisticians to find out the facts, but we don't want any kangaroo court, like I appeared before, that is marked "Confidential," like the Committee on Reciprocity held, where you come in and the chairman tries to move everybody out in a couple of hours, and then after you get out, you don't know what happens. They bring in the opposition. They hold a kangaroo court session with them and nobody knows what they recommended. We don't want any economist to make a survey like the Tariff Commission made where they sent an ex-violinist up to Waltham to make a survey. The gentleman is present in the room, and I appreciate the fact that he made a hit-and-run session in 1 afternoon, and he knew all about the watch industry.

We don't want that kind of a situation. We want the facts shown, and I can say this to you, that if it is not done, we are just going to die, and if you want to take the responsibility, it is all right with us. We are doing our best. We have taken 5 hours' reduction in pay at Waltham. We have not got the last general wage increase that was given of 11 cents per hour. We are 11 cents behind, and also another 11 cents behind in the third round. We have not gotten the second round. The third round has started, which means we are 21 cents behind. We will be in the same position postwar as prewar, with very low wages for high-grade mechanics, and in addition to that, our jobs are not even there.

So if that is what you want, it is up to this Congress to decide. Here is a concrete case that answers Senator George's argument, and answers your argument, Senator Martin, as I have heard in previous testimony. Here is a case we challenge anybody connected with the United States Senate or the House of Representatives or the State Department to disprove that our industry has not been hurt. It has been hurt, because we are only selling 12 percent of the watches sold in the United States, in comparison to 52 percent prewar.

Thank you, Senator.

Senator MARTIN. Mr. Chairman, I think it would be well if the witness would explain something to us.

You stated that a jewel, I think, imported would cost 5 cents, and one in America would cost 21 cents. I believe that was your statement.

Mr. CENERAZZO. When we started there was no facilities, whatsoever. We started in the dark.

Senator MARTIN. I think you ought to explain to the committee the difference in the cost.

Mr. CENERAZZO. Only labor cost. They have women over there that get about 18 to 20 cents an hour, and our wages were 60 and 70 cents an hour. The difference is right there in the labor cost.

Senator MARTIN. What I am getting at, that is the thing that the American people fail to appreciate, the difference in the wage scales of the country that is competing with us.

Mr. CENERAZZO. If I could take 2 more minutes of your time, I went to South America last January, because I had heard so much about the foreign worker not being efficient. I wanted to find out. I had a little money saved up. My wife and I went down for 6 weeks.

I went down to see what it was about. I went into Brazil, Uruguay, Chile, and Peru and other places. I went through textile and machinery plants down there. I saw a man in a Santiago plant running three draper looms 72 inches, making tapestry, tying in six colors at a wage of 17 cents an hour.

In New Bedford, Mass., a man running one of those gets \$1.45 an hour. Here is the most modern plant you ever saw with parquet flooring, with tunnels underneath the machines, brand new machinery from Saco-Lowell, draper looms from Hopedale Whitten Machines, and employing 2,000 employees; one shift goes on at 7 o'clock and works until 11, go home for 4 hours, and another starts at 11 and works to 3. The morning shift comes back and works from 3 to 11. That is the Navy system of 4 on and 4 off.

The night shift comes on at 11 and works until 7, 24 hours continuous, without a lunch or relief period, and the average wage in that plant was 17 cents an hour, which includes 2 cents an hour attendance bonus. They work 48 hours a week. The starting rate is 11 cents an hour.

Senator MARTIN. How is their production per hour compared to ours here in the United States?

Mr. CANERAZZO. I should say that it is  $1\frac{1}{2}$  to  $1\frac{1}{3}$  times per person in the plant better in favor of the Chile side. They make sheets equal to what Pepperell makes, cotton and linen cloth each under one roof.

Already there is started another plant equal to it in size where that man is going to employ 4,000 employees within 2 years.

Outside of the outskirts of that, W. R. Grace & Co. has a plant that is going to employ 2,500 people, all brand new machinery, and the machinery is right there, all American machinery.

It is interesting to note throughout these nations, in South America, they won't allow anybody to buy any goods from the United States or any other country except heavy industrial machinery and foodstuffs that are essential. They control the dollars.

Mr. Clayton can take all of the tariffs we have and throw them right out of the window, because we won't do a dollar's worth of business more until they have the dollars with which to buy, and they won't buy anything from us except heavy industrial machinery. This W. R. Grace & Co. has 17 woolen plants which produce, and they are right next to the wool market.

The cotton from Peru comes into Valparaiso, right in there, and they can go ahead and manufacture. You go to Argentina, and you will see textile plants. I saw a man in Argentina in a machine shop cut a quarter inch cold steel on a 4-foot length roller, take a quarter inch off that cold. I doubt if there are 50 mechanics in the United States that can do that. He happened to be a German mechanic that happened to be working in Argentina.

When they talk about the foreign worker's productivity, it is there. You give him diet, education, give him proper training, he has it.

I saw a little girl in San Palo at the Johnson and Johnson plant put on labels on 10-cent absorbent cotton packages faster by hand than you can put them on with the electrical labeling machine. I saw with my own eyes, and I challenge anybody to disprove it. I saw a man running 54 looms, Saco-Lowell looms making cotton, this sort of stuff they put over baby cribs, the cloth that you put in large packages there, running 54 of those and he got \$65 a month for 48 hours.

I saw nine people producing a million Tech tooth brushes a month; two girls handle the insertions of the bristles. They can put the bristles into the tooth brush three times faster than they can in the plant that makes them in Watertown, N. Y.

Industrialization of the world is on the march. The worker there can't buy anything. All you are doing is making the feudal lords richer, and the poor are becoming poorer, because you have not brought in a strong virile labor movement that can bring up the standard of living of those countries.

They have unions in all of these plants, but what are they? They are nothing, the equivalent of company unions. The union leaders don't understand how to bargain as we do here. They don't make consumer income out of making those products which become consumer demand, which means productivity in the purchase of their own materials. They can't even afford to buy the stuff they make.

What will happen to those goods after they become saturated in their own markets? It means that instead of making the goods for western Europe in the United States and exporting, it means that they will be shipped from South America into those other markets at lower labor costs by American-owned corporations, and there are at least 300 of them in operation in the South American countries.

I say to you that this problem of foreign trade will not be settled by any person like me. I am not an economist or an expert. I can visualize what I see. It will have to be settled by intense study by men who can devote their full time, and not just a few minutes of their time, as busy United States Senators. There has to be a study made of the entire program and a foreign trade developed, and the use of quotas, the use of bargaining back and forth, and knowing that the country will buy from us when we sell to them, and an insistence that when we give a country money for help, that they develop a production mission and a farm mission which can utilize good machinery, and which can go ahead and till the soil of those countries, so they can go ahead and become self-productive and the inclusion of a bill of rights in their constitution that will guarantee the right of free men to say what they please so they can develop a strong trade union, which is the only method by which you go ahead and bring capitalism to become cooperative, as is practiced in this country. I think that is the only way that it can be done.

Senator MARTIN. I think he is quite an economist.

Senator BUTLER. I think so, too, and I am glad, Mr. Cenerazzo, that you appeared, and stressed the importance of the jeweled watch industry to our program of the future. I believe it means much.

Mr. CENERAZZO. I can say that I know you are sympathetic, and Senator Martin and Senator George. I can assure you Mr. Clayton and Mr. Brown will do nothing for us, and that we will slowly die, because they have not the moral courage to say this is an industry that has been hurt, and do something about it.

Senator BUTLER. Thank you for appearing, sir.

The hearings will be concluded at this time until tomorrow morning at 9:30, when there will be a session in this room to hear an additional statement from Mr. Clayton.

(Thereupon at 2:15 p. m., a recess was taken until Saturday, June 5, 1948, at 9:30 a. m.)

# EXTENDING AUTHORITY TO NEGOTIATE TRADE AGREEMENTS

SATURDAY, JUNE 5, 1948

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D. C.*

The committee met, pursuant to recess, at 9:30 a. m., in room 312, Senate Office Building, Senator Eugene D. Millikin, chairman, presiding.

Present: Senators Millikin, Hawkes, Martin, George, Barkley, and Connally.

The CHAIRMAN. The hearing will come to order.

Mr. Clayton, you may proceed.

## STATEMENT OF WILLIAM L. CLAYTON, SPECIAL ADVISER TO THE SECRETARY OF STATE, WASHINGTON, D. C.

Mr. CLAYTON. Mr. Chairman, I appreciate this opportunity to make reply to some of the questions and points that have been brought up here by witnesses opposed to the reciprocal trade-agreements program, and in favor of H. R. 6556. I am sorry that it has worked out so as to bring you down for a meeting on Saturday morning.

The first point I would like to deal with is that the point has been made that there is not very much to be done under the reciprocal trade-agreements program, and that, therefore, there should be no objection either to merely 1-year extension, or to having the Tariff Commission do the job of determining what concessions might be offered.

In answer to a question propounded, I believe by you, Mr. Chairman, I did say that there was not now in prospect any agreements of a major character. The basic issue, however, is not whether there is little or much to be done, but rather that what has to be done can be done.

Under H. R. 6556 procedure it would be impossible to make an agreement of any significance. In fact, there is reasonable doubt whether any agreements could be made at all under H. R. 6556.

Although United States imports from the majority of countries not already parties to the general agreement made last year at Geneva are not important in our total import situation, their exports to us are vital to them. We must be able to negotiate with them for the purpose of arriving at worth-while agreements.

Of the 16 European countries involved in the ERP program, only 6 of them are parties to the general agreement on tariffs and trade

negotiated at Geneva last summer. Ten of them have trade agreements with the United States. Six of them have no trade agreements with the United States.

The CHAIRMAN. Which six are those?

Mr. CLAYTON. The six are Austria, Denmark, Greece, Ireland, Italy, and Portugal.

Under the ECA legislation, as you will recall, there is a provision that all of the participating countries must cooperate together to stimulate the interchange of goods among themselves and between themselves and other countries.

The CHAIRMAN. I believe I do not have the list correctly. I have Austria, Denmark, Greece, Ireland, Portugal, and what is the other one?

Mr. CLAYTON. Italy.

The CHAIRMAN. Thank you.

Mr. CLAYTON. As I was saying, under the ECA legislation the participating countries will be required in the bilateral agreement which the United States will make with each of them to cooperate among themselves for the stimulation of the interchange of goods among themselves, and between themselves and other countries, and cooperate for the reduction of trade barriers among themselves and between themselves and other countries.

These bilateral agreements have to be negotiated and executed on or before the 3d day of July under the act. I anticipate that these six countries with which we do not now have trade agreements will probably come first to the United States in order to carry out the injunction imposed upon them by this legislation to enter into agreements for the reduction of trade barriers with other countries.

The CHAIRMAN. You mean to get something done by July 6?

Mr. CLAYTON. No, Mr. Chairman. I mean that after the bilateral agreements are made with these countries, they are then obligated to carry out the conditions in the agreement, and that I would anticipate that in carrying out this one condition under which they are required to make agreements with other countries for the reduction of trade barriers, that they would naturally come to the United States, as being the largest trading country in the world, and the country with which they have the agreement to make a trade agreement. They would naturally come to us and seek to negotiate a reciprocal trade agreement with the United States under that bilateral agreement and under the law.

Senator GEORGE. Not to divert you, Mr. Clayton, and aside from this issue that we have, is that the provision that some of the European nations are seeking to modify now, or are talking about modifying?

Mr. CLAYTON. I have not heard, Senator George that they are asking any modification of that, and I would doubt very much if they would ask for modification of that.

Senator GEORGE. Of course, that has not anything especially to do with this.

Mr. CLAYTON. I had not heard that any modification was asked in respect of that provision of the law. That is a provision of the law, and it will have to be included in the bilateral agreement.

Senator GEORGE. I understand that.



Mr. CLAYTON. Which we make with each of these countries.

Senator GEORGE. I understand that. But there have been some rumors that some of the European, western European countries thought they could not undertake to go as far as the law requires them to go in tearing down restrictions between themselves, among themselves, at least.

Senator HAWKES. You may have in mind this little clipping I cut out of the Washington Post. You say that this morning?

Mr. CLAYTON. I have not.

Senator HAWKES (reading) :

Free Trade Taken into ERP. London, June 4.—The free-trade clause which Britain and France both consider to be unacceptable as now drafted has been included in the European recovery agreements proposed by the United States, Britain and France, in particular, and the 16 ERP countries in general are understood to be discussing a common approach to the United States to obtain what they consider more reasonable terms. The British consider that as now worded the clause would grant the United States virtual veto power over Britain's tariff structure, in particular her imperial preferential tariff system, which has been a prime object of the State Department attack for the last 4 years.

I might say without very much success.

The French on the other hand are concerned because the clause would in effect pledge the various countries receiving aid from the United States to grant to each other most-favored-nation treatment.

I thought maybe that is what you had in mind.

Senator GEORGE. It is. It is the same. That refers to a provision in the agreement, but it is based upon this section of the law.

Mr. CLAYTON. Yes, sir.

If there is any intent on the part of the Department of State to insert in these bilateral agreements a provision of free trade, I am not aware of it. I do not mean to say that it is not, but I just have not heard of it. Of course, the law does not require that, so that if there is such intent, these countries are complaining not against the law, which would not require the Department to go as far as that but complaining against the draft agreement.

However, these countries will be compelled under the law to agree to lower trade barriers. It does not say to abolish trade barriers. The law does not say that. The word is "lower", to lower trade barriers among themselves and between themselves and other countries.

Senator HAWKES. How soon?

Mr. CLAYTON. Well, I do not believe the law fixes a time limit on it, Senator Hawkes, but the agreement may do so.

Senator HAWKES. But you see, they have agreed time and again to do things, and then they keep saying it is impossible to do the things. Is there going to be any provision that insists upon the doing of the things that we believe are fair and can be done, regardless of whether they think they are advantageous to them or not?

Mr. CLAYTON. Well, I take it there will be, and of course, in this present matter, the United States has a powerful sanction in that if the agreement is not performed, further aid can be withheld.

Senator HAWKES. But that makes enemies. If I start to help you—I have been living quite a while, you know, and have done a little bit of helping myself—if I started to help you, when you are in distress, and I put certain conditions on, that you do not comply with those conditions, then I take that help away, I have not made a friend.

Mr. CLAYTON. Well, Senator Hawkes, of course, there are some risks in all of these matters. We just have to choose that course.

Senator HAWKES. Take the least risk that has the greatest benefit for the greatest number.

Mr. CLAYTON. That is right.

Senator HAWKES. Including ourselves, we ought to be included in that group.

Mr. CLAYTON. That is right.

Senator HAWKES. If we are going to have some benefits.

Mr. CLAYTON. Yes.

Senator CONNALLY. Is not that the requirement that they do these things entirely consistent with the whole objective of the plan to stimulate and revive trade?

Mr. CLAYTON. Entirely so, Senator Connally. As I have often said, and as you gentlemen all recognize, I am sure, recovery in Europe waits upon a great expansion in production. Fortunately, if you eliminate Germany and Russia, Europe is back to prewar production in volume, but not in value, and that is not enough. Europe must get back on the whole to at least 140 to 150 percent of prewar production in order to effect a recovery and make herself financially independent. This is largely because they have lost the benefit of about \$2,000,000,000 of invisible exports which they had before the war in terms of returns on foreign investments, dividends and interest, and shipping, and things of that kind.

So that in order to make up for that loss which before the war paid one-fourth to one-third of their total imports, they must greatly increase their production, or very substantially lower their standard of living. The problem will probably be met by doing some of both.

A great expansion in their production depends upon markets for the goods and markets wait upon a lowering of the barriers to trade. As we all know, Europe is divided into these little countries, many of them smaller than many of our own States, and when you fly in the country within a few hours you pass over four or five or six frontiers. They have to lower the barriers that exist at those frontier points and they have to lower the barriers between the countries as a whole, and the rest of the world, or they cannot recover to a point where they can have a decent standard of living for their people. That is my opinion.

The CHAIRMAN. Is lowering tariff rates implicit in this phrase of lowering the barriers?

Mr. CLAYTON. I take it that it is, Senator, because tariffs are traditionally one of the most important and most used barriers to trade between nations.

The CHAIRMAN. Is a tariff per se a barrier to trade?

Mr. CLAYTON. If it is above a certain point, it certainly is, and any kind of a tariff, Senator Millikin, is to some extent an impediment to trade. There is no question about that.

The CHAIRMAN. All right. Now, let us get back to my original inquiry. A tariff need not per se prevent the importation of goods.

Mr. CLAYTON. Oh, no. Goods come in over tariffs, certainly, but sometimes in much-restricted volume as compared with what would come in if the tariff were lower.

The CHAIRMAN. In other words, the tariff presents an economic factor which must be considered in the problem of importation, and exportation.

Mr. CLAYTON. That is right.

The CHAIRMAN. It may be highly restrictive then so far as trade is concerned, or it may be one that can be easily surmounted so far as trade is concerned, is that not correct?

Mr. CLAYTON. Depending upon the height of the tariff.

The CHAIRMAN. So when we talk about the obligation for a general lowering of barriers, it means lowering those barriers where there are excessive and repressive customs rates, and other associated devices for the control of trade; is that not correct?

Mr. CLAYTON. I think probably that is true. The language of the act is that they shall cooperate to lower barriers to trade. What construction will be put on that, I do not know, but I am sure that the only proper construction to be placed on it is that there shall be a substantial lowering of trade barriers in order to facilitate and stimulate the interchange of goods.

The CHAIRMAN. Would it not be a more sensible construction that there should be a lowering of barriers wherever the barrier presents a serious impediment to trade?

Mr. CLAYTON. Well, of course, Senator, it is going to be very difficult to determine to what extent, if any, a barrier presents a serious impediment to trade.

The CHAIRMAN. I quite agree with you, but that is not the problem which each country has to confront.

Mr. CLAYTON. They do. I think that the standard might well be that where the barrier is a protective one to local industry, that is the one that will have to be lowered so that industry in each of these countries and productive facilities will not be expanded on the basis of uneconomic considerations and purely on the basis of protection.

The CHAIRMAN. I come back again, after all each country will have to judge for itself, each country then will have to judge for itself whether its existing trade restrictions at the border are consistent with its welfare, and whether it can afford to reduce those barriers in order to get, let us assume, compensating advantages.

Mr. CLAYTON. I would not think so, Senator, because if you put it on that basis, they probably will choose to go on just as they are. I think that the United States will have to have some voice in the determination as to whether a barrier is an impediment to trade among these countries and between them and the rest of the world. I would not think that the act could be properly observed by simply letting each one of these countries make the decision themselves.

The CHAIRMAN. Each country will make it, will it not?

Mr. CLAYTON. I do not think so.

The CHAIRMAN. Is there then a plan to subject to international control these barriers that you are talking about?

Mr. CLAYTON. I do not think so at all, Senator, but I do believe that in using the language which the Congress used in the ECA, that they did not intend to say that these countries shall lower such barriers as in their opinion are impediments to trade among themselves and between themselves and the rest of the world. It says that they shall cooperate to lower barriers to trade.

The CHAIRMAN. Does it mean that they shall lower them according to your opinion?

Mr. CLAYTON. I would not think so. I think that it means that they shall lower them according to negotiation and with consultation and consideration under the agreement that we will make with them between the United States and the individual countries.

The CHAIRMAN. That still leaves each country in control of the situation.

Mr. CLAYTON. I do not think so; no, sir.

The CHAIRMAN. Then it does come to what I suggested a while ago, that it will be decided by some sort of international organization. Is that correct?

Mr. CLAYTON. No, no. I think it will be decided in accordance with the terms of the bilateral agreement between the United States and country X, for example. The two parties to the agreement must decide how the agreement is to be performed.

The CHAIRMAN. That is right. But each party will be a free agent in reaching that decision.

Mr. CLAYTON. To some extent, but not entirely.

The CHAIRMAN. To what extent will each party not be a free agent?

Mr. CLAYTON. Well, I would think, Senator, that if the representatives of the United States in negotiating with country X with reference to the provisions that we are discussing should be of the opinion that country X was not in good faith living up to that provision, then we would be justified in withholding further aid.

The CHAIRMAN. Of course, that is our decision.

Mr. CLAYTON. That is right.

The CHAIRMAN. And the other country has retained its decision. Each country abides the consequences of its own errors; is that not right?

Mr. CLAYTON. That is right.

The CHAIRMAN. Then that all comes back to what I said. Each country will retain its own control over its own customs, subject to the consequences if its actions are foolish.

Mr. CLAYTON. That is right. If it wishes to risk the breaking of the agreement—

Senator HAWKES. Is there not something more in the picture than that? Are we not dangling a plum out on the end of a stick to make country X accept our judgment as to what they ought to do and what is going to happen to our beautiful relationship we are going to try to build up, if we force country X through dangling this plum which seems to have more to it for the moment than resisting an effort we are trying to make to force them to do something which they in their opinion think is economically wrong, what is going to be the result? They will get the money under this thing, and then they will either have to do something or they will be definitely under control of some international organization.

Mr. CLAYTON. May I say on that, Mr. Chairman, that this condition that we are discussing is only one of numerous conditions that will be incorporated in this bilateral agreement. The other principal ones, as you know, are that country shall take every proper measure to increase their production; No. 2 is that they shall take every proper measure to make their money sound again. This is a more contro-

versial question than the one we are discussing, but obviously the United States has got to have something to say as to whether the performance of the country is a good performance under that condition, so we have this problem with respect to the whole agreement, including the one, the provision that we are discussing here.

The CHAIRMAN. But still each country will continue to have control of all of its sovereign rights, and if it does not make the type of agreement that we want, there will not be any agreement, and that country will have to suffer the consequences.

Mr. CLAYTON. That is right.

The CHAIRMAN. I want to make it very clear, you are not suggesting that there will be any overriding authority that will be in position to call the turn on what that country's judgment shall be.

Mr. CLAYTON. No authority except the benefits that accrue under the agreement to the country in question. That is the only authority, I take it, that we would have, but it is a very powerful one.

Senator HAWKES. I agree with you it is very powerful, and when you say the benefits that will accrue to the other country, you mean the benefits under our European recovery program.

Mr. CLAYTON. Correct.

Senator HAWKES. I cannot think of anything more powerful than that.

Mr. CLAYTON. I would like to point out—

The CHAIRMAN. That is the plum at the end of the stick.

Senator HAWKES. That is the plum at the end of the stick that I am talking about.

Mr. CLAYTON. What I am saying is implicit in the whole ECA. There is no other construction, in my opinion, that can be put upon it, but I would like to say this about it, that the whole conception of ECA is one of friendly cooperation between the countries, participating countries, and between the United States and those countries, and the Congress has very properly provided for means of administration of the act, which in my opinion will insure that every proper consideration is given to every participating country in the making of the agreement, and in the carrying out of the agreement. We have a roving ambassador. We have special representatives in each of the missions, the United States missions to these 16 countries. It will be the duty of those gentlemen to see to it that all of these matters are handled in the very friendly and very cooperative way, and that every consideration is given to the rights and the wishes of the country with which we are dealing. The whole matter, Mr. Chairman, rests on that spirit.

Senator GEORGE. The whole purpose, Mr. Clayton, I may say, in the Foreign Relations Committee, in shaping up the ECA, was to avoid rigid rules of thumb that we would lay down, but only to seek agreement in principle that would be achieved through cooperation.

Mr. CLAYTON. Exactly.

Senator GEORGE. That was the effort all the way through.

Mr. CLAYTON. Yes; exactly. And may I say that practically all of these conditions which are included in the ECA were conditions that these countries themselves agreed upon in advance, and presented to the United States as the program which they were prepared to follow.

Senator GEORGE. They said they could move along those lines.

Mr. CLAYTON. That is right. As you know, I met with this committee in Paris a number of times, and was in session with them for a considerable period of time last summer, and the early fall. Practically all of these matters of substance in the way of conditions that they will be required to make and live up to in the act are conditions which they themselves laid down in their original presentation to the United States.

The CHAIRMAN. Then you can put it this way, that there is no—I am quite sure it is implicit in what Senator George has said—that we have no policy of coercing any nation into any arrangement that is contrary to its own interests.

Mr. CLAYTON. Certainly we have not, Senator Millikin.

The CHAIRMAN. And that they are at complete liberty to protect their own interests as they see fit, and if that involves undesirable consequences, that is what goes with any free choice.

Mr. CLAYTON. If in our opinion that should be a desire to protect individual producers within the country to the harm and the hurt of the area as a whole, the national interests and the international interests of the 16 participating countries, I think we would be compelled to overrule it, at any rate say, "Well, you are acting here contrary to the spirit of the whole matter, contrary to your proposal of the way in which you would act and we are sorry but this agreement is at an end."

The CHAIRMAN. We have allowed our noses and teeth to get pretty long, have we not?

Mr. CLAYTON. Well, Senator Millikin, that of course is a rather unique way of putting it. But I can only say that a great deal has happened in the world in the last 30 years, and we have been placed in a position of outstanding leadership in the world; for over a century Great Britain held the reins of world leadership, and now we have been cast in that role, whether we like it or not. There are many things about it which we do not like. It makes us uncomfortable and we are not used to it, but nevertheless there we are, and we have to accept it or reject it.

The CHAIRMAN. It is a question of the wisdom of wise leadership.

Mr. CLAYTON. When you get into details of leadership, then it is a question of wisdom, of course. But my point is that in the statement which you made, that we have certainly by circumstances over which we had no control been cast in this role of leadership in the world, and we have to accept it or reject it.

The CHAIRMAN. I do not know of a person in the Congress; there may be some, but I do not know of a person in the Congress who does not recognize that like it or not we have been thrust into a role of leadership.

Mr. CLAYTON. Yes, sir; I think that is probably right.

The CHAIRMAN. That does not in and of itself solve any immediate problem that comes before us. That problem requires that we solve the problem under principles of wise leadership or our leadership becomes a curse for the world, rather than a blessing.

Mr. CLAYTON. That is right, sir.

Senator CONNALLY. Mr. Clayton, while Senator Millikin was bringing out the point on an overriding authority that would impose its

will on these nations, there is no such mechanism in the act or in your plans, of course, but there is, however, tremendous moral influence and moral pressure on these countries when they have come to us with outstretched hands and say, "We want you to do something," and we are willing to do these things, and then if they digress from that plan, why, we can with great force say, "Here, you are going to wreck the whole plan if you do not go along with these bilateral agreements, or make this bilateral agreement, or unless you carry out the purposes of this whole plan," and the pressure no doubt of the other nations, other than the one that wanted to depart, would have tremendous effect, would it not?

Mr. CLAYTON. Yes, indeed.

Senator CONNALLY. I think it would be more compelling than some overriding authority.

Mr. CLAYTON. Much more. I do not want to prolong this part of the discussion, but I would like to point out that we have to remember the genesis of this whole matter. It was in the speech of June 5 of Secretary Marshall at Harvard last year, and he made it very clear that the United States could not proceed in this matter until European nations themselves got together and formulated a program of European recovery. That is exactly what they did in Paris, and all of these matters of substance, practically all of them that are included in the act, are matters which they themselves agreed upon in Paris that they would do.

I think that Senator Connally's point that the pressures within that organization of those 16 nations will be greater than our own, that is very true, and I saw it working there in Paris last summer. Time and time again, when one or two or three nations would hold back on this or that point, the pressures of the others on them were so great that they came to agreement.

The CHAIRMAN. That follows naturally; according to human nature, from any debtor position, the debtor has to get the money, he has to conform if he wants the money, to the creditor's terms. Let me amplify that a little bit.

The start of this went far beyond General Marshall. The start of this may perhaps be identified with the pressures which we started to exert when we canceled our lend-lease agreements for at that time we definitely tied up a lot of these programs with those cancellations, and in every succeeding thing that we have done to help Europe, I am not complaining about it, I am just stating facts, in every succeeding thing that we have done, we have used our monetary position to get cooperation in what we think are the best plans for world advancement.

I make it a point to read quite a few foreign publications; there is not the slightest doubt but that many of these paper cooperations that we have are not one whit more than that, because these debtors feel that they have had to cooperate, which is not the right word, to go along if they wanted to get our money. I suggest that basically unless we can pull it out of that atmosphere, all of these things that we are doing will collapse for that very reason. No nation, and I call on history to bear witness to what I am saying, no nation will long continue to do anything, to observe any agreement, that is contrary to its interests.

Senator BARKLEY. Would you like to comment on that statement before I ask you something?

Mr. CLAYTON. No.

Senator BARKLEY. Is this not the practical situation: Regardless of philosophical and metaphysical approaches to it, whether it originated in General Marshall's mind or in somebody else's mind, who did not say anything about it until the general spoke, these countries asked for this aid. We had the right to fix the terms on which we would grant it. We have done that in the law which Congress passed.

One of those terms requires that all of them engage in a cooperative process to level off to some extent barriers that have traditionally and historically existed among them so that if we put money into a given country to establish a factory, it will have a market for what it produces. It would be certainly uneconomic for us to let some country have money to build factories to produce anything that it could not sell, and in order that it might find markets for what it produces out of the money furnished, they are to agree that they will undertake in this cooperative way to facilitate trade among those countries, so that there would be a market for their products, and thereby be economical and productive and constructive to engage in the enterprise to make it so.

If any country refuses to do that, why, of course, they run the risk of having the aid withdrawn or discontinued. Obviously, we could not in wisdom and in good conscience agree by any law that Congress enacted, it seems to me, to make loans to those countries for reconstruction purposes, I am not talking about that part that goes to relief, but for reconstruction purposes, unless there is a reasonable chance that that reconstruction is to be economically sound, and in order to be economically sound, it has to find an outlet for its products.

Is that not one of the basic reasons why we inserted that into the law?

Mr. CLAYTON. Yes, sir. It certainly is, and, of course, I suppose these countries would be delighted to get this assistance without any conditions, but it would not be wise for us to give it to them without conditions which we feel are in the interests of recovery, because that is the way we are all aiming. That is the purpose.

The CHAIRMAN. I would not for a moment suggest that a creditor does not have the right to impose reasonable conditions on his loan, or that a donor does not have the right to impose reasonable conditions. I would like to examine just a little further this business of lowering barriers. That is what touched us off on all of this.

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. Is it your contention that there must be a general across-the-board lowering of barriers, whether or not they present any substantial impediment to trade?

Mr. CLAYTON. No, sir; it is not, because the object is to reduce the barriers to the exchange of good.

The CHAIRMAN. And to reduce barriers which make substantial impediments to trade.

Mr. CLAYTON. It all depends, Senator Millikin, what you mean by substantial. I would like to speak of my knowledge.

The CHAIRMAN. What I am getting at is, I think I have put it rather clearly, are you contending that the obligation to lower bar-



riers means lower all barriers, irrespective of whether there is a substantial impediment to trade in particular cases?

Mr. CLAYTON. Of course, Senator Millikin, this is a matter that I have nothing to do with; and I will have nothing to do with the administration of the act, but I can only give you my own personal opinion that the intention is to lower barriers which are at present restrictive.

Senator CONNALLY. Which are barriers.

Mr. CLAYTON. Which are barriers; yes, which are restrictive of the exchange of goods.

The CHAIRMAN. By restrictive, you would say in a substantial sense, would you not?

Mr. CLAYTON. I do not like to use that.

The CHAIRMAN. Leaving the definition of substantial to the parties and to practice.

Mr. CLAYTON. The law does not say so.

The CHAIRMAN. If you do not put that on, then we are all prepared to agree that any custom, any tax of any kind carries a certain amount of restriction, and that drives you to the proposition that there must be a willy-nilly across-the-board reduction, regardless of restriction.

Mr. CLAYTON. I take it, Senator Millikin, that the administrators of the act, the ambassador, the roving ambassador, and the special representatives, and Mr. Hoffman, will construe these provisions, not only this one, but others, in the light of reason.

The CHAIRMAN. Does not the light of reason tell you that that is not a general across-the-board arbitrary reduction of all customs, but that rather it does contemplate a reduction of customs which present substantial impediments to trade.

Mr. CLAYTON. It does not say substantial. It says lower barriers to trade. It is conceivable that some country might have its tariff so high on all dutiable articles that the whole business ought to be lowered across the board.

The CHAIRMAN. I agree. I agree. Other countries might have some items of that kind, and some which cannot be characterized as that kind.

Mr. CLAYTON. That is right.

The CHAIRMAN. So that when we say lower barriers, I think it is very important that we have this clear, when we say lower barriers, are we talking about across the board arbitrary lowering of all barriers, or are we talking about lowering those that present substantial impediments to trade?

Mr. CLAYTON. We are not necessarily talking about a lowering across the board, and that is something that we have never done in the United States under the Reciprocal Trade Agreements Act. We have administered it in a way to lower barriers on a selective basis, highly selective basis, and that basis that has been very carefully considered and worked out. I think that in many cases European countries have tariffs for revenue only. They are understood to be tariffs for revenue only on certain articles, but they are usually articles which do not compete with domestic production. In the case of competition with domestic production practically every one of them has got protective tariffs.

I think under this law those tariffs will have to be lowered.

The CHAIRMAN. Above the for-revenue-only level, assume a measure of protective intent, but assume that such level is not a substantial impediment to trade, would that have to be lowered?

Mr. CLAYTON. I think that that is a decision which the administrative act will have to make. The act does not say lower substantial barriers.

The CHAIRMAN. Mr. Clayton—

Mr. CLAYTON. It says lower barriers.

The CHAIRMAN. You have imported this provision about lowering barriers into this discussion, and you say that it has relevance to the immediate problem before us. Therefore, it is our duty to find out whether it does have relevance and to find that out, we have got to determine what is meant by lowering barriers.

Now, if there is leeway in here against an arbitrary across the board lowering, regardless of whether there they are substantial impediment to trade, we are right where we started. The matter before us is not affected by that kind of an argument. On the other hand, if you are contending that the Congress has already declared a policy that all customs shall be lowered across the board, regardless of whether they present a substantial impediment to trade, then we have a very important element to consider here.

Senator HAWKES. Will you let me put one more thing to what you have got, because I may be all wrong, but I think you have got to think about something in addition to substantial impediment to trade. I think you have to bring in there a meaning that the thing is not necessary to protect and preserve an industry already established within the country. I would like to go that step further, because I cannot conceive of our building any friendship in the world if we are going to, through offering money, by buying the action of nations, if we are going to destroy proper tariffs for the protection of established industry.

I look at the thing exactly as you do, but I go that step farther.

The CHAIRMAN. If I may say so, Mr. Clayton, unless you have a background policy that conflicts with the policy of Congress, I do not believe that we propose to reduce any barriers merely to be reducing barriers. I believe we mean to reduce barriers under the present policy where they present an impediment, a substantial impediment to trade. I am not arguing that one way or the other. But I suggest we have not committed ourselves to just lower all tariffs all the way across the board, have we?

Mr. CLAYTON. No, sir.

The CHAIRMAN. So we cannot ask other nations to do that, which we have not adopted as our own policy.

Mr. CLAYTON. I do not think we ask them to lower barriers across the board, but as to what we will ask them to do, Senator Millikin, under the bilateral agreement that we will make with each country is a matter for decision of the administrator of the act, in consultation with the other party to the agreement, and I cannot predict what his decision will be, and he cannot predict it. I am sure. He would have to make the decision on the basis of the facts in each individual case.

The CHAIRMAN. All right. That answer is entirely agreeable to me; but since you have brought in the alleged importance of the point,

you should be prepared to interpret what the language means. But pass it.

Now, as to Austria, we have not yet made a peace treaty with Austria.

Mr. CLAYTON. No.

The CHAIRMAN. As to Denmark, Denmark heretofore has rejected our overtures for a reciprocal trade agreement, has it not?

Mr. CLAYTON. If they have, I do not know it.

The CHAIRMAN. We have approached Denmark on several occasions in the past.

Mr. CLAYTON. I would like to ask Mr. Brown about that.

The CHAIRMAN. We have never made any deal.

**STATEMENT OF WINTHROP G. BROWN, DIRECTOR, OFFICE OF INTERNATIONAL TRADE POLICY, STATE DEPARTMENT, WASHINGTON, D. C.**

Mr. BROWN. I do not think so, Senator. I would have to check that. I do not think so.

The CHAIRMAN. Why has Denmark been left out? Denmark is a very important exporter of dairy products.

Mr. BROWN. Yes, sir; but there are certain limits on what you can do and we have been very busy, and we have not been able to cover all of the countries.

The CHAIRMAN. Was Denmark invited to Geneva?

Mr. BROWN. No, sir.

The CHAIRMAN. We did not invite them?

Mr. BROWN. No.

The CHAIRMAN. Did they ask to come?

Mr. BROWN. No.

The CHAIRMAN. So that as of the time of the Geneva agreements, there was no heat on either side for reciprocal trade agreement with Denmark.

Mr. BROWN. Not at Geneva. We selected important nations, as many as it was felt could be dealt with in that particular negotiation.

The CHAIRMAN. So that you have relegated Denmark by that decision to an unimportant position in this.

Mr. BROWN. Not necessarily.

The CHAIRMAN. It follows from what you said.

Mr. BROWN. No.

Senator HAWKES. Did we invite any other people to Geneva who did not request to come?

Mr. CLAYTON. We did not ourselves invite anybody. The United Nations issued the invitation. It was a UN conference, and the idea, Senator Hawkes, was to get together a certain number of nations, the number at first I believe was 18, finally expanded into 23, that would be properly spaced geographically over the world, and that would represent a substantial amount of the international trade of the world, and one of the purposes was to have those nations go over the charter which was developed at the London Conference, which took place in October 1946, and to see if they could come to agreement on that draft charter.

And in connection with that, these negotiations took place between these 23 countries for the reduction of tariffs. But I want to make it

clear that this was a United Nations conference, and it was not expected in the beginning at all that all of the nations of the world would be invited. We wanted a relatively small number, but properly spaced geographically and having reference to their international trade.

The CHAIRMAN. Denmark did not ask to come to Geneva.

Mr. CLAYTON. Not that I know of.

The CHAIRMAN. And we did not invite her to come.

Mr. CLAYTON. The invitations were issued by the United Nations.

The CHAIRMAN. The United Nations did not invite her to come.

Mr. CLAYTON. I believe not; that is right.

The CHAIRMAN. As to Greece, we have discussed Greece already.

Mr. CLAYTON. Greece; yes, sir.

The CHAIRMAN. Ireland; was Ireland invited to Geneva?

Mr. CLAYTON. No, sir.

The CHAIRMAN. Has Ireland opened any negotiations for a trade agreement?

Mr. CLAYTON. No, sir; they have not.

The CHAIRMAN. Have we opened negotiations with her?

Mr. CLAYTON. I believe not.

Mr. BROWN. No.

The CHAIRMAN. As to Portugal?

Mr. CLAYTON. Portugal was not invited to Geneva, and Italy was not invited.

The CHAIRMAN. So with Austria, we could not make an agreement with her now because we have no peace treaty. Denmark has not asked for agreement, and we have not asked her for one. The same is true as to Greece, or have we opened negotiations with Greece?

Mr. CLAYTON. No, sir, we have not opened negotiations with any of these countries.

The CHAIRMAN. What is the status as to Ireland?

Mr. CLAYTON. We have not opened—

The CHAIRMAN. Ireland was not invited to Geneva?

Mr. CLAYTON. No, sir.

The CHAIRMAN. So that these nations except Austria and Italy, with which at the time we could not have made an agreement, these nations were considered so unimportant geographically or trade-wise they were not invited to Geneva, is that correct?

Mr. CLAYTON. I would not say that, no, sir, I would not say considered unimportant. The nations were selected for their relative importance, and for their geographical location, and the different interests that they represented, and the volume of international trade which they did.

The CHAIRMAN. Does Lebanon, for instance, have greater trade importance than Denmark or Greece or Ireland or Portugal?

Mr. CLAYTON. Lebanon, no, certainly not.

The CHAIRMAN. Of course not.

Mr. CLAYTON. Lebanon was selected largely for geographical reasons.

The CHAIRMAN. The Grand Duchy of Luxemburg.

Mr. CLAYTON. Of course it is very small, very small in international trade, but the idea was to get some small countries in, too.

The CHAIRMAN. Burma.

Mr. BROWN. The Grand Duchy of Luxemburg is in the customs union with Belgium. It had to be included if Belgium was included.

The CHAIRMAN. I have no objection to it.

Mr. BROWN. I just wanted to explain the reason for that.

The CHAIRMAN. I am glad she was included, and a little bit curious to know why these others have not been included.

Mr. CLAYTON. As I say, we started out with the idea of having about 18 or 20, and finally expanded as these things always do to 23.

The CHAIRMAN. Ireland. We have not invited her into an agreement, and she has not asked for one.

Mr. CLAYTON. She probably will as soon as she signs this bilateral agreement. And Austria also, you make the point that we have not got a peace treaty with Austria. We are going to have a bilateral agreement with Austria in a short time.

Senator BARKLEY. Although Austria is occupied, and the government is handicapped, Austria does have a government.

Mr. CLAYTON. It does.

Senator BARKLEY. Different from Germany; it does have a government of its own.

Mr. CLAYTON. That is right.

Senator BARKLEY. And it could enter into an agreement.

Mr. CLAYTON. We are going to enter into one with Austria presumably between now and the third of July under the ECA, and if we do that, I see no reason why we could not make a reciprocal trade agreement also.

The CHAIRMAN. How about Portugal?

Mr. CLAYTON. There is no reason why we should not make an agreement with her.

The CHAIRMAN. She was not at Geneva.

Mr. CLAYTON. No.

The CHAIRMAN. She was not invited. She did not ask to come.

Mr. CLAYTON. Not that I know of.

The CHAIRMAN. And now what are our present commercial relations with Italy? What do they rest on?

Mr. CLAYTON. I do not quite understand that, Senator. Of course we have a peace treaty with Italy, and we are carrying on normal commercial relations with Italy, and I feel sure that Italy, as soon as this bilateral agreement is out of the way, will be one of the first countries that will want to make a reciprocal trade agreement with us.

The CHAIRMAN. How many items of trade would you say are involved in the whole "kit and kaboodle" of these nations that you have mentioned.

Mr. CLAYTON. There is quite a bit. We do quite a large trade with Italy.

The CHAIRMAN. What is the total trade of all of these countries?

Mr. CLAYTON. I am sorry I could not give it to you. I do not know.

The CHAIRMAN. It is inconsequential compared to what you did at Geneva, is it not?

Mr. CLAYTON. I would not call it that.

The CHAIRMAN. It is relatively small.

Mr. CLAYTON. It is much smaller, of course, than what we did at Geneva, but the point is, Senator Millikin, that we would like to include as many friendly countries in the world as we can in the multi-lateral agreement that we made at Geneva under the reciprocal trade agreements program. We would like to include as many as we can.

The CHAIRMAN. But I assume that you mentioned these nations here with the idea in mind that the fact that we might or might not make agreements with them has some bearing on the length of extension and on the mechanics to be used in making a trade agreement; is that not correct?

Mr. CLAYTON. Oh, Senator, I only mention these particular six countries because they are the six countries included in the ECA which we have no reciprocal trade agreement with, and presumably since the ECA requires these countries to make reciprocal trade agreements, presumably they will want to make them with us.

The CHAIRMAN. Do you believe that if this new burden were imposed upon the Tariff Commission, and assume that all of these countries came in tomorrow, and that we started dealing with them tomorrow, that the Commission would be inadequate so far as getting the necessary facts is concerned, and so far as making recommendations is concerned?

Mr. CLAYTON. I think under H. R. 6556, which imposes on the Tariff Commission one criterion only that there would be great delay, but it is not so much the question of the delay that I object to. I object to the whole principle involved. I think that H. R. 6556 is a bill which will have the effect of practically scuttling the whole reciprocal trade agreements program, and I think, Senator, that I only have to refer to the array of witnesses who have appeared here who have always practically all of them been against the reciprocal trade agreements program, but who are now heartily for H. R. 6556. I think that I only have to make that statement to show that in their minds also H. R. 6556 will kill the reciprocal trade agreements program.

The CHAIRMAN. Well, you are entitled to your own conclusions, but I do not think it follows from that at all that if you pass this bill it will kill the reciprocal trade agreements, because we again and again have challenged witnesses to show how it would kill reciprocal trade, and no one yet has come up with an explanation, including the very fine witness that we have this morning.

Mr. CLAYTON. Thank you, sir.

The CHAIRMAN. Let me make a clincher. Then you did not bring these countries into your testimony to make an argument that it would be beyond the facilities provided by this bill that we are considering if you did go ahead and make agreements with them.

Mr. CLAYTON. I only brought them in as one example of countries that we should have agreements with, and that I anticipate will apply to us shortly for the purpose of negotiating an agreement.

The CHAIRMAN. I have drawn this out to unwarranted length, because I thought you were attaching special significance to it.

Mr. CLAYTON. A statement has been made here that because our average tariff in 1947 was only 15 percent, that no more reductions in United States tariffs are possible. Of course, the fact that the average tariff on dutiable imports is now down to 15 percent is due not only to agree-

ments which have been made under the reciprocal trade agreements program, making concessions in our import tariffs, but is due in very large measure to the very high level of prices which we now have. A substantial part of our duties on imports in point of value are what we call specific duties, so much a pound or so much a yard, or so much a ton, so that with the great advance in prices which has come, the percentage that those duties bear to the value of the product has been greatly reduced thereby.

But I would like to say that this average is made up of duties that range up to over 100 percent. The Department of Commerce at the request of the chairman of a subcommittee of the House Ways and Means Committee, placed in the record a memorandum of duties which are still high. I will not refer to more than a few of the items.

For example, alloy cutting tools are still 60 percent. Magnesium sulphate is 62 percent of the value. Artists colors are 70 percent. Glass tubes and rods, 65 percent. Tungsten materials, 65 percent. Pistols and revolvers from 78 to 124 percent of value. Lead and lead ores run from 34 to 114 percent.

That is just a few. Pyridia oil is 70 percent. Casein is 98 percent. I mention those as a few of the items which have pretty substantial rates of duty.

Senator BARKLEY. The average duty on dutiable goods was 15 percent, is that correct?

Mr. CLAYTON. Fifteen to sixteen percent, the average.

Senator BARKLEY. What was it under the act of 1930, those same things?

Mr. CLAYTON. It was, in 1932 and 1933, 52 percent, the average was 52 percent.

Senator BARKLEY. What year?

Mr. CLAYTON. In '32 and '33. I remember that year.

Senator BARKLEY. That was under the act of 1930?

Mr. CLAYTON. Yes, sir; it was under the act of 1930.

Senator BARKLEY. Where there are specific duties on an article, that sold for 25 cents a pound, we will say, and it might represent 25 percent duty. If that article goes up to 50 cents a pound, that automatically reduces the percentage rate?

Mr. CLAYTON. That is correct.

Senator BARKLEY. To 12½ percent?

Mr. CLAYTON. That is right.

Senator BARKLEY. So you would have to consider the relative price at any given time to determine what the percentage tariff is, if it is a specific duty, as many of the duties are?

Mr. CLAYTON. That is correct.

Senator MARTIN. Mr. Clayton, do you happen to know the comparison of finished products like fabrics, glassware, pottery, cutlery, and things like that, compared to 1930?

Mr. CLAYTON. No, Senator Martin, I have not it readily at hand. I could supply it for the record if you would like to have it.

Senator MARTIN. I think it would be rather helpful if we could have that.

Mr. CLAYTON. Yes, sir. I will be glad to supply it.

(The information is as follows:)

*Average ad valorem rates of duty on imports of dutiable merchandise into the United States, total, and by tariff schedules, 1932*

	Percent
Total, imports of all merchandise-----	59
By tariff schedules:	
Chemicals, oils, and paints-----	44
Earths, earthenware, and glassware-----	54
Metals and manufactures-----	38
Wood and manufactures-----	22
Sugar, molasses, and manufactures-----	166
Tobacco and manufactures-----	82
Agricultural products-----	48
Spirits, wines, and other beverages-----	36
Cotton manufactures-----	48
Flax, hemp, jute, and manufactures-----	31
Wool and manufactures-----	84
Silks and manufactures-----	59
Rayon and other synthetic textiles and manufactures-----	60
Papers and books-----	27
Sundries-----	40

Senator HAWKES. Before you go ahead, could you give us reason why the duty on those certain items you read have remained at that high point? Is there a good reason for it or do you contend that it is too high?

Mr. CLAYTON. I certainly would not express any opinion without investigation, Senator Hawkes, whether the duty is too high or not. I only say that it is high. I mean it is high in the matter of percentage of the value of the commodity. When you get a duty of over 50 percent of the value of the commodity, I think we can properly say that that is a high duty; and all of these that I mentioned were over 50 percent. As to why they have not been brought down, we just have not been able under the Reciprocal Trade Agreements Act, particularly with the war taking up 4 or 5 years. 5 or 6 years, we have not been able to cover all of the items, of course, in the tariff law.

Senator HAWKES. The reason I asked you that question, you know, of course, without our taking up much time, the argument about the watch works made in Switzerland, and you have had to limit the number of those imported because you could not pay the wages and do the things in this country and bring watch works in under the conditions that existed abroad, and I just was wondering where a tariff has remained up to 100 percent or more, I was just wondering if you knew the reason why. That may be there is a perfectly good reason of it may be too high.

Mr. CLAYTON. I would say that in the case of these very high rates that we just have not yet come into negotiation with countries that are principally or principal suppliers of those products, so they have not been dealt with.

I will deal with the watch question a little later, if you do not mind.

Senator HAWKES. Thank you.

Mr. CLAYTON. It has been claimed here, Mr. Chairman, that the general agreement on tariffs and trade entered into at Geneva has the effect of establishing the ITO for the United States without congressional approval. There is no warrant in that claim, Mr. Chairman. The ITO contains 106 articles. Of these, only 24 are repeated



even in part in parallel articles of the Geneva agreement. The ITO deals in long chapters with questions of cartels. There is nothing in the Geneva agreement that has to do with cartels. It deals with commodity agreements. There is nothing in Geneva having to do with commodity agreements, and, of course, there are long provisions dealing with the organization of the ITO itself. There is nothing of that character in the Geneva agreement. The Geneva agreement does cover general provisions of commercial policy, all of which can be justified on the ground that they are necessary to implement and make effective the tariff reductions which were made in the Geneva Agreement.

The CHAIRMAN. You are taking a long jump there, Mr. Clayton.

Mr. CLAYTON. I am just telling you, Mr. Chairman, what I have been informed by our counsel. The questions of subsidies on exports, questions of import quotas, questions of exchange and things of that kind which are included in the general provisions which we deemed were necessary to place in the agreement in order to prevent, by subterfuge or otherwise, an escape from the tariff reductions that were made.

The CHAIRMAN. Let me ask you this question. I am going to ask you a narrow question. Is there a word in the Reciprocal Trade Agreements Act or in the act of 1930 that expressly authorizes you to make a general agreement of the type that you have made?

Mr. CLAYTON. I do not think that it is expressed perhaps; no, probably it is not expressed, but I think it is implied. I think it is implied.

The CHAIRMAN. I just wanted to get it buttoned down in the record that there is no express authorization to do this. You say that it is implied.

Mr. CLAYTON. I do not say categorically that it is not expressed in general language, because I am not a lawyer, and I would not like to pass on that, but I do say, Senator Millikin, that it is implied, because I think that the Congress would expect that if we made an agreement with a foreign country under which they reduce their tariffs on our exports to them, we would want to make sure that we had provisions of a character which would not permit an evasion of that agreement by some other collateral or subordinate matter, and that is what we have tried to do in the general agreement.

The CHAIRMAN. You understand the implications of the implication which you draw from the Reciprocal Trade Act. In other words, you are saying that you have a grant of power to make reciprocal trade agreements, but that grant of power enables you to cover all the rest of the economic field in order to protect that grant of power, and that has brought you into the importation into your reciprocal trade agreements of numerous subjects which have traditionally been the subject of conventions and treaties in this country. In other words, the implication of your doctrine is that you can cover the whole earth with any kind of agreement that you want to, if in your judgment it protects the trade agreements which you are expressly authorized to make?

Mr. CLAYTON. I do not think so at all, Senator. The act does not authorize us to cover all matters of economic international relations with the country that we are negotiating an agreement with, and we have not done so. In the Geneva agreement we have only covered those matters which in our opinion were necessary in order to make the agreement effective. I will give you an example. By a stretch of the

implications of the act we might have included in the Geneva agreement, and we did not, provisions with regard to cartels.

We have here in the Geneva Agreement and agreement between governments that they are to do certain things. They are to reduce these tariffs and they agree that they will not evade that commitment by some other action which they take. It is possible for private business arrangements which we call cartels to override and to supersede the agreements between governments.

We might have stretched the thing a little and included in the Geneva agreement a chapter on cartels providing that the signatory governments were to see to it that international cartels would not maintain their situs in the country of the signatory and that if they were acting in a way to vitiate this agreement by private arrangements, that the signatory country would make the proper action under their laws against that sort of thing, but we did not do that.

The CHAIRMAN. This morning, in response to a request that was made to you the other day, we were handed this memo, and first I would like to congratulate the author in confining it to 3 pages.

Senator HAWKES. Before you get into that, may I ask Mr. Clayton a question?

The CHAIRMAN. Surely.

Senator HAWKES. You said you were not a lawyer, and I admit I am not a good lawyer; although admitted to the bar, I have never practised. In conducting your negotiations at Geneva you must have talked to some good lawyers in the State Department who were surrounding you as to whether you had this express authority in any way to proceed to do the things you did at Geneva. I am just wondering what those lawyers told you, because certainly I know you are an able businessman and I know you must have conferred with some good lawyers.

The CHAIRMAN. I am just coming to what they told him.

Senator HAWKES. I did not know that.

Senator BARKLEY. Are there copies of that?

The CHAIRMAN. This was hastily prepared, and this is all we have.

Senator BARKLEY. Just one.

The CHAIRMAN. It just came in. The first general proposition is, and this is very significant:

The basic authority for inclusion by the President of the general provisions in the general agreement on tariffs and trade is derived from his constitutional authority to conduct foreign relations and conclude international agreements. In addition, express or implied authority for the inclusion of most of these general provisions may also be found in the language of Trade Agreements Act.

Senator HAWKES. May I ask you this question, so we can listen to that intelligently? Who made that statement just read?

The CHAIRMAN. Who made this?

Mr. CLAYTON. It was made by the approval of the counsel of the State Department.

The CHAIRMAN. My memory is, and I have not had time to check it, that in our hearing a year ago, we were assured that the President would not assert any of his general powers to make international agreements to the extent that he has such powers in connection with this subject matter.

Mr. CLAYTON. I do not know about that, Senator.

The CHAIRMAN. I may be wrong, but I shall look back into the record, because I remember I believe you and I had quite a little discussion as to whether these subject matters would be covered under the alleged claim of the President to make agreements that did not have to come back to Congress, or just how you were going to submit agreements of this kind, including ITO; and in that connection, I say I may be wrong, but my memory is that it was very affirmatively asserted that the President would not fall back on that claim of power to do the things that have been done.

Mr. CLAYTON. Senator Millikin, I remember very well those discussions, and I think the only commitment I gave you was, I know you cautioned me that we should be careful at Geneva not to include matters that, in the general agreement, on tariffs and trade, that we were proposing to negotiate there, that we should not include matters which were not germane and which might be considered in the nature of the treaties; and I assured you that we would take the best legal advice we had, and that we would not include those matters, and I think we have carried out that commitment.

The CHAIRMAN. Now then, following that statement of principle, there are authorities cited to the "general executive agreement authority." Then we come to the next part as to express trade agreements authority:

The Trade Agreements Act authorizes the President in broad language to proclaim such modifications and continuances of the existing treatment accorded to imports as are required or appropriate to carry out a trade agreement concluded under the act. Obviously, this broad authority includes the power to make effective general provisions not inconsistent with existing legislation which are necessary to prevent any party to the agreement from seriously impairing tariff concessions accorded in the agreement, and such general provisions designed to safeguard tariff concessions clearly come within the authority granted by the act.

Certain of the general provisions are more specifically authorized as, for example, paragraph 1 (b) and 2 (a) of article II for the general agreement providing in a qualified manner for a binding of all duties, other than ordinary customs duties, or charges of any kind imposed on or in connection with the importation of articles on which concessions have been granted as to ordinary customs duty. The importance of a binding of the excise treatment of articles upon which trade agreement concessions are granted was recognized in the committee reports on the original trade agreements legislation in 1934 (73d Cong., 2d sess., H. Rept. 1009, 15).

Finally, the protocol of provisional application of the general agreement, under which the agreement is now being applied by the United States, clearly states that part 2 of the agreement, which includes most of the general provisions of a substantive nature, shall not apply in any case in which such application would be inconsistent with existing legislation.

We went into this so completely a year ago that I have scrupulously refrained from elaborating on it in this particular hearing. You have stated clearly here what you believe is the basis for your authority; and I suggest that the counterarguments are quite obvious and are set out in full in that hearing of a year ago. So I do not see any particular reason in going into it except that I was shocked, and again I say I may be wrong on this, but I was somewhat shocked to find the President falling back on his general executive powers to conclude agreements of this type.

Senator BARKLEY. Will this be made a part of the record?

The CHAIRMAN. Yes.

(It is as follows:)

AUTHORITY FOR THE INCLUSION OF THE GENERAL PROVISIONS IN THE GENERAL  
AGREEMENT ON TARIFFS AND TRADE

The basic authority for inclusion by the President of the general provisions in the general agreement on tariffs and trade is derived from his constitutional authority to conduct foreign relations and conclude international agreements. In addition, express or implied authority for the inclusion of most of these general provisions may also be found in the language of the Trade Agreements Act.

GENERAL EXECUTIVE AGREEMENT AUTHORITY

The Supreme Court has recognized that the President, in the general conduct of foreign relations has broad authority for the conclusion of executive agreements with other governments (*U. S. v. Curtiss-Wright Export Corp.*, 1936, 299 U. S. 304; *U. S. v. Pink*, 1942, 315 U. S. 203).

One type of situation in which this authority has long been exercised is that where legislation in the United States either fails to restrict the rights of foreign interests in this country, or conditionally or unconditionally accords such interests certain rights without any express reference to the conclusion of agreements on the matter. The President has often been able in such situations to obtain from foreign governments commitments of great value to American interests though agreeing to accord in this country the treatment to which the foreign interests are entitled pursuant to such legislation, or in the absence of legislation.

For instance, under a provision in income-tax legislation granting exemption on the basis of reciprocity, but making no reference to agreements, numerous executive agreements have been concluded exempting foreign shipping enterprises from income tax in this country. (See 1938 agreement with Sweden, 52 Stat. 1490.)

An early instance of an executive agreement on trade matters is that of 1826 with Hawaii (3 Miller, Treaties 269). Following enactment of the principle of equality of tariff treatment in the Tariff Act of 1922, a large number of agreements were concluded providing for mutual most-favored-nation treatment as to customs duties, and in some instances containing other provisions for trade protection. (See agreements of 1930 with Egypt and 1938 with Greece, Executive Agreement Series Nos. 5 and 137.)

A precedent for the inclusion of general provisions in trade agreements is found in provisions inserted in some of the executive agreements concluded under section 3 of the Tariff Act of 1897 other than those relating to the specific customs treatment authorized by the section. (See agreements of 1908 with France and 1907 with Germany (1 Malloy, Treaties 547 and 563).) As to the general constitutionality of such agreements, see Supreme Court case of *Altman Co. v. United States* (1912, 224 U. S. 583).

The Trade Agreements Act, although not expressly authorizing many of the general provisions, does open with the basic purpose of increasing markets for American exports. In some instances much greater protection can be obtained for such exports by the inclusion of mutual provisions limiting the application of quotas and other quantitative restrictions to American products, or providing for the allocation of quotas on a reasonable basis, than can be obtained from tariff concessions. The importance of general provisions of this type, such as articles XI to XIV of the general agreement, has also been recognized by congressional committees in connection with trade agreements legislation. Many of the other general provisions can be justified on this basis.

Another of the general provisions in which Congress has shown considerable interest is the escape clause, which the report of the Ways and Means Committee on the 1945 renewal recorded with satisfaction would be considered for inclusion in future trade agreements (79th Cong., 1st sess., H. Rept. 594, 8 and 9), and which Executive Order 9832 of February 25, 1947, drafted in collaboration with Senate leaders, requires shall be included in future agreements.

The general provisions of the general agreement include a number of paragraphs under which the parties to the agreement shall consult and with a view to settling differences among themselves as to the administration of certain parts of the agreement. Precedent for such provisions is found in the 1908 agreement with France referred to above as well as in certain trade agreements. (See art. XIV of the Mexican trade agreement of 1942 and art. XVI of the trade agreement of 1942 with Uruguay.) Such provisions would seem clearly within the broad executive authority of the President as to the conduct of foreign relations including the administration of the international agreements of the United States.

## EXPRESS TRADE AGREEMENTS AUTHORITY

The Trade Agreements Act authorizes the President in broad language to proclaim such modifications and continuances of the existing treatment accorded to imports as are required or appropriate to carry out a trade agreement concluded under the act. Obviously this broad authority includes the power to make effective general provisions not inconsistent with existing legislation which are necessary to prevent any party to the agreement from seriously impairing tariff concessions accorded in the agreement, and such general provisions designed to safeguard tariff concessions clearly come within the authority granted by the act.

Certain of the general provisions are more specifically authorized as, for example, 1 (b) and 2 (a) of article II of the general agreement providing in a qualified manner for a binding of all duties, other than ordinary customs duties, or charges of any kind imposed on or in connection with the importation of articles on which concessions have been granted as to ordinary customs duty. The importance of a binding of the excise treatment of articles upon which trade agreement concessions are granted was recognized in the committee reports on the original trade agreements legislation in 1934 (73d Cong., 2d sess., H. Rept. 1000, 15).

Finally, the protocol of provisional application of the general agreement, under which the agreement is now being applied by the United States, clearly states that part II of the agreement, which includes most of the general provisions of a substantive nature, shall not apply in any case in which such application would be inconsistent with existing legislation.

Mr. CLAYTON. At this point, Mr. Chairman, I would like to make a chronological statement of the steps that have been taken in connection with our desire to have the Reciprocal Trade Agreements Act extended.

In the President's state of the Union message of January 7, 1948, he said that extension of the Trade Agreements Act was of extreme importance. The Department of State, of course, was consulted about this and fully concurred. On February 27, the Department listed renewal of the act as legislation of the highest priority in a memorandum to Mr. Eaton, the chairman of the House Foreign Affairs Committee. On March 1, 1948, the President sent a special message to Congress asking for renewal of the Trade Agreements Act for 3 years. This message had, of course, the hearty support of the Department of State.

On that same day, March 1, 1948, Mr. Doughton introduced a bill in the House renewing the act for 3 years. On March 10, 10 days after the introduction of that bill, Mr. Brown, of the State Department, and I had a talk with Mr. Knutson, chairman of the House Ways and Means Committee at my request, and at that time we asked for early hearings. The House Ways and Means Committee did not hold hearings until the first part of May.

The CHAIRMAN. I assume that that is to contravert the suggestion which I made to you the other day that in lower echelon of the State Department there was serious question, serious discussion, as to whether to ask for an extension at all in the sense of pressing for it.

Mr. CLAYTON. I just put it in, Mr. Chairman, so as to make the record clear as to the dates on which different steps were taken.

Senator HAWKES. May I ask this question, because I was told somewhere along in March, I believe, that you were not going to press for an extension of the reciprocal trade agreements and that the President considered it was unnecessary. I imagine that is what the chairman is referring to.

The CHAIRMAN. I do not know whether I have stated this, but in connection with trying to figure out the working schedule of this committee, I made certain inquiries as to when ITO would come in here, and in connection with those inquiries, I learned that important people in the State Department—Mr. Clayton has said that that did not include the Secretary of State—were seriously debating whether to press for an extension of reciprocal trade.

Senator HAWKES. The only purpose of my raising this question is because I was not here the other day.

The Chairman. That has not been controverted or denied.

Senator HAWKES. I wanted to ask Mr. Clayton if he, at any time during the last 3 or 4 months, has heard that it might not be deemed necessary to press for an extension of this.

Mr. CLAYTON. No, sir, I have not.

Senator HAWKES. At any time since the first of the year, let us put it that way.

Mr. CLAYTON. That I have heard that it might not be necessary?

Senator HAWKES. Yes, sir.

Mr. CLAYTON. I have not heard that the President has taken any position of that kind, Senator.

Senator HAWKES. Anybody in the State Department up the line, have you heard?

Mr. CLAYTON. Senator Millikin has correctly stated the position, I think, except possibly he may have used the word seriously, or you used the word seriously. I do not believe it is quite correct to say that we ever seriously considered not asking for a renewal. We discussed at different times different steps that might be taken, and that was one that was mentioned.

However, that goes away back, and I have given here the dates.

Senator HAWKES. Was that in connection with the idea that you might consummate the ITO at Havana, and that the ITO itself might be presented to the Congress for approval, and therefore be in effect before June 30, and under those circumstances the extension of the reciprocal trade agreements would not be necessary?

Mr. CLAYTON. No, sir; because if the ITO were in effect, if the Congress approved the ITO, it would still be necessary to have the reciprocal trade agreements program or something very similar to it. I was just saying that even if we approved the ITO, it still would be necessary to have the reciprocal trade agreements program or act or something very similar to it, because one of the principal commitments in the ITO is that members obligate themselves to negotiate for the substantial reduction of tariffs and other barriers to trade. Under this commitment, the administration would have to have authority to conduct those negotiations, and to make those agreements. Any discussion we may have had in that sense at any time had to do with the probability that the ITO and a new act would be submitted at the same time to the Congress, but the completion of the negotiations in the conference at Habana were so greatly delayed beyond the time that we anticipated, the final act not taking place until the 24th of March, that it was deemed too late to get the ITO Charter before this session of Congress, and have it acted upon.

Senator HAWKES. I do not want to delay the proceedings any further. Thank you very much.

The CHAIRMAN. Off the subject, have you decided yet whether you are going to submit ITO as a treaty or to both Houses?

Mr. CLAYTON. That decision so far as I know, Senator, has not been made. It will not be submitted at this session of Congress.

Senator HAWKES. You mean at this session if it adjourns on June 19 or if there should be another continuation.

Mr. CLAYTON. For this Congress.

Senator HAWKES. It will not be presented to this Congress?

Mr. CLAYTON. For this Congress; yes, sir. That decision I believe has been made, but as to the way in which it will be presented to the next Congress, I do not think a decision has been made.

Somebody, I think Mr. Gearhart, maybe another witness, made a point that the customs receipts of the United Kingdom, of the British, were extremely large, showing presumably that their tariffs were very high indeed, and I have had that matter examined, and the receipts broken down into different categories. I find that the total custom receipts of the UK for the fiscal year ending March 31, 1947, were very large. They were £578,000,000 sterling, equivalent at the present rate of exchange to \$2,331,818,000. But of that amount £446,000,000 was on tobacco, which becomes in our money about \$1,800,000,000, which they collected on tobacco. Their customs receipts arising from protective duties are relatively small. They are only £41,000,000, or \$168,000,000. Our customs receipts in the United States in 1947 were about \$465,000,000, and in 1946 they were \$480,000,000, which is substantially higher than in any year since 1930. In 1930 they were \$462,000,000.

We come to the watch business. The statement was made here yesterday, I understand—I was not able to be present—that the watch business had been seriously injured by the reciprocal trade agreement program.

The record does not show it, Mr. Chairman. You understand what is involved here is the movements, not the whole watch, but the watch movements, which are imported in large quantities from Switzerland.

There are three principal manufacturers of these movements. The Elgin is the largest, and the record of their sales in 1947 shows that they sold \$22,000,000.

Senator HAWKES. Have you got that in actual movements, because I think dollars are very misleading. They are only half dollars.

Mr. CLAYTON. I do not have it in actual movement, but I can say that I am reliably informed that the Elgin Co. have told jewelers, numerous jewelers recently, they are not able to supply more watches, that their stocks are completely depleted, that their factory is working at full capacity, so much so that they are preparing to build a new factory.

Senator HAWKES. You realize the testimony a couple of years ago was to the effect that they could not get the necessary number of watchmakers because they had left the trade on account of the importation and threat of importation and they had only, as I remember, 8,000 watchmakers in the whole United States.

Mr. CLAYTON. Makers of movements.

Senator HAWKES. Yes, sir.

Senator MARTIN. Might I make this observation: A great number of these men that worked in the watch factories because we quit making

so many watches during the war went into other war work at better wages, and have remained there.

Mr. CLAYTON. I am not informed on that, Senator Martin; these companies, these three companies made precision instruments for the Army and the Navy during the war, and I think that requires pretty much the same kind of high-class skill.

Senator HAWKES. That is one of the arguments that the watch people made when they appeared before some committee where I was, that we needed men who knew how to make precision instruments in case we got into another war, and therefore there was no better place to keep a supply of men available for emergency use than to have our watch business result and increased.

Let me say this, the number of watches today is amazing to what it was 20 or 25 years ago. You see, everybody has a watch. Therefore, the reason I am mentioning that is the fact that they have done an increased volume of business in dollars does not show that they are holding their proper place in the watch-producing industry of the world.

Mr. CLAYTON. In 1938 Elgin did a business of \$6,777,000. In 1947 they did a business of \$22,158,000, which is more than three times as much. I take it the watch prices have not gone up 300 percent. So that it appears there to me from these figures that they are doing a larger volume than they did before the war, and that is borne out, Senator Hawkes, by the statement I just made, that I am reliably informed they cannot furnish watches to jewelers. I see from a clipping from recent newspaper, commercial paper, that the president of the Gruen Watch Co. has announced that work will start immediately on the construction of a factory to manufacture watch movements, another to make watchcases, and an office building, that the project will be finished in 1949, and will cost about \$3,000,000. And I am informed that the Elgin Co. also are preparing to enlarge their capacity.

So I do not think that on the record anybody can claim that these companies have been seriously injured. I suppose it is perfectly human and natural. I suppose what the watch companies would like would be a tariff that is so high that it would keep Swiss movements out, that they would not have this competition, and that they could build enough factories in the United States to supply all of these movements to the American people. That is a perfectly human and natural thing. But while they are doing it they would destroy the market that we have in Switzerland for American goods.

We have such a market today in large measure, considering that it is a small country, and they are able to buy our goods because they have a substantial business here in watch movements. We could build enough factories in the United States to make all of these movements. They would cost us more money, I am sure. If we put on a heavy tariff to keep the foreign goods out we would pay more for our watches, and then, at the same time, destroy our market for the goods that Switzerland now buys from us.

The CHAIRMAN. What is the individual turn-over in watches, I mean a man buys a watch; how many watches does he buy during his lifetime?

Mr. CLAYTON. I do not know, sir, but Senator Hawkes, if he has stated it correctly, everybody looks like they want two or three watches,



and it has been enormous, that is, the business. You understand of course that what we are talking about is a watch movement. If you go into a store and pay \$50 for a watch, only \$10 of that goes back to Switzerland for the movement, I am so informed. Eighty percent of the \$50 stays in the United States. It is labor making the case and in putting the movement into the case and transportation and profits of dealers, and so on.

In the State Department we have been pulled and hauled by people from all sides. We have the people that make the movements and the labor unions that perform the work on one side demanding that we stop this great flow of movements from Switzerland. On the other side, we have the people who put the movements into the cases and sell the completed watch pulling and hauling, saying do not do it because you will ruin our business.

The CHAIRMAN. Mr. Clayton, we honor ourselves when we call you Senator.

Mr. CLAYTON. Did this sound like Congress?

The CHAIRMAN. May I make this little observation. You have made a "pulling and hauling" argument against the Tariff Commission, and now you admit that you are subject to all of these pullings and haulings.

Mr. CLAYTON. Yes, we are. We are.

Senator BARKLEY. I would like to make this observation. I had something to do with the watch schedule in the Tariff Act of 1930, where a real effort was made not only to put the duties so high on watch movements, but to classify them in such a way that nobody could understand it, and the bill as it came to the Senate from the House practically was in such shape as to exclude all importations whatever. The Senate modified it so as not to bring about that disastrous result.

Senator GEORGE. It has long been the insistence of the makers of the jewels and the works, Mr. Clayton, that what they really need is pretty rigid embargo on imports, rather than the rates.

Senator BARKLEY. What I started to ask, is it not true that in the whole history of the United States, the American watchmakers have never been able to supply the domestic demand?

Mr. CLAYTON. I am not informed.

Senator BARKLEY. I think that is a fact.

Mr. CLAYTON. I know since the war they have not been able to.

Senator BARKLEY. For a long time before the war they were not able.

Senator GEORGE. I used the word "embargo"; I meant quota.

Mr. CLAYTON. Yes.

Senator GEORGE. They think the only way to regulate it is through quota.

Senator BARKLEY. As a matter of fact, if there were a prohibition against the importation of watch movements and watch parts from Switzerland, every American manufacturer of watches would go out of business, because they have to depend upon Switzerland for some of the things that go into their watches. That includes Elgin and Waltham and Hamilton and all of the rest of them.

So that when you talk about putting a prohibitive restriction of any sort on the importation of watch movements and watch parts that

would destroy the American watch business at least for a long time, because they have not the facilities nor the skilled workers for manufacturing all of these delicate parts that they themselves depend upon from Switzerland.

Senator HAWKES. I might say that from the testimony that I heard they claimed that they never will have the facilities or the men to do what the Senator from Kentucky is talking about as long as this cheaper labor and better know-how is allowed to come in and interfere. I am not talking about an embargo, and I am not talking about not letting any watches come in. I am only interested in trying to find a balance in there that lets our watch industry be ultimately as good as any watch industry in the world. That is what I would like to see. I am wondering whether you have any figures to show. I take it you will give some more figures about the Hamilton and the other watch companies there, but I wonder if you have any figures to show the tremendous increase in movements that come in from abroad, up into the millions.

Mr. CLAYTON. Before the war we imported I think about 2½ to 3 million movements from Switzerland. It went up as high as 9 million at one time in 1946, I think it was, or 1945, and then dropped down. I think in 1947 it ran about 7 million, if I am not mistaken.

Senator HAWKES. Is it going down now, or what?

Mr. CLAYTON. It is down from what it was.

Senator HAWKES. Down from the peak.

Mr. CLAYTON. Down from the peak. I do not know why. I must say that soon after I came into the State Department, I had this problem to deal with, and I felt a good deal of sympathy for the watch-makers and the labor unions working in these factories that make these movements, because they went completely on war work during the war, and they quit making watches. They made precision instruments for the Army and Navy. And when they came back into their regular business at the end of the war, of course they found that during the 4 or 5 years of war that people had bought these Swiss movements, and they had got established here, and of course it was right, our people wanted watches, and the only way they could get them was to buy the Swiss movements, because they were not made in this country for a number of years. But that gave the Swiss manufacturers a considerable edge and advantage here, and I felt a good deal of sympathy for it.

I think we did work out temporarily a kind of voluntary agreement with the Swiss on the number of movements that they would ship into the country, but there was just a hesitating period there right after the war, if you will remember, when things sort of slowed down a little bit, but then they picked up with great momentum, and we had a demand here for more watches, both the Swiss and American kinds, more than they could supply, and I feel that the present situation certainly is one that they do not need to worry about.

They evidently are not worrying about it themselves, because they are building new factories.

Senator MARTIN. There is not any question that there is probably no great concern just now, but when we catch up with the scarcity of watches, is there not danger then?

Mr. CLAYTON. Senator Martin, I doubt it, for this reason: if we do not too greatly expand our facilities for production, not only in the cases of watches, but in the case of many other things, we will not catch up very soon. We have a great increase in population. We have a great increase in the prosperity of the people, the buying power of the people. They have desires, more desires for different kinds of goods; instead of being content with one watch, as I said, many of them want two and three, and they are able to buy them. So that I think that any well-established business that is efficiently operated is going to be able to take care of itself. I do not see within any near foreseeable time where we are going to get enough of foreign-produced goods to seriously endanger any well-established business in the United States, with the local market that we have. That is not true so much of watches, of course, but of most other things it is. They will be able to take care of themselves, I think.

Senator MARTIN. Take in the case of the Hamilton Co. I know that the management there, and through the cooperation of the men working in the plants, put out a greater volume in order that they could keep down the price of the watch. That was necessary in order to compete with the imported watch.

What I am getting at is whether or not we are going to catch up in all of these things sooner or later than what the situation of the watch-making business will be in, because I am not only concerned in the employment of these men, but we need these highly skilled men for precision instruments and things of that kind in case of another emergency.

Mr. CLAYTON. Of course, we always have the escape clause if it should develop that these companies are being seriously endangered by falling demand, coincidental with big imports from abroad. The escape clause is always a means of taking care of that.

Senator MARTIN. I would like to make this observation, Mr. Chairman, whether or not we take advantage of the escape clause soon enough. You take concerns that manufacture different things; their inventories become depleted and their surplus becomes depleted, probably in financial danger before we give them their relief that they require. That is it.

Mr. CLAYTON. I think we may depend upon the affected parties to come soon enough. I mean I do not think they will hesitate, and they will come if they really have occasion, a case that they can establish.

Senator MARTIN. But, Mr. Chairman, and necessarily our Government has become very large and complicated, because we are the largest and most powerful country in the world, and as a necessity it must move slowly and it does not take but just a few moments, sometimes, to destroy a business that was really well established, and it takes time for the Government to act, regardless of how well meaning it may be.

Mr. CLAYTON. Of course in the operation of the escape clause——

The CHAIRMAN. I invite your attention to the fact that there is no escape clause in the Swiss agreement.

Mr. CLAYTON. If you give us an extension of the Reciprocal Trade Agreements Act, we will get one in there pretty quick.

The CHAIRMAN. I invite your attention to the fact that there is no escape clause in the Swiss agreement.

Senator BARKLEY. That was entered into prior to the time of that.

Mr. CLAYTON. It was.

The CHAIRMAN. Mr. Clayton has been talking about the escape that can be taken. Now, the escape that we can take may be in an agreement in the future. There is none in the present one.

Mr. CLAYTON. There is none in a number of agreements, because they were made prior to the time we adopted the escape clause, but if we get an extension of the Reciprocal Trade Agreements Act it will be our purpose to try to bring all of these countries into the multilateral agreement. I think that is where they ought to be, and that carries the escape clause.

Senator HAWKES. I want you to get my position, because I am not talking about embargo or keeping all Swiss watches out of here or anything of that kind at all. I think that if we could find a balance in this thing where the Swiss watch works that came into this country was a good thermostat and regulator to keep American watches from being too high, on the one hand, and yet permitting the American manufacturer to develop the same degree of art and skill in connection with the production of the works so that someday, if we could not get Swiss watches any more, we could say that we developed an industry in this country that was as good as any in the world; that is what I have in mind.

Mr. CLAYTON. That is exactly what we have in mind, Senator Hawkes. In the operation and administration of the reciprocal trade agreements program, we see that the rates give reasonable protection but not exorbitant protection, not excessive protection.

Senator BARKLEY. Has the use of wrist watches by men increased the consumption of watches in this country?

Mr. CLAYTON. It must have increased it enormously.

Senator BARKLEY. You are always hitting them against something and breaking them. I never can tell what time it is.

The CHAIRMAN. There is another angle to that Swiss-watch business that might deserve attention. In spite of the large increase in the market for watches, so far as the more expensive watches are concerned, there is not a very big turn-over per person. How many watches have you had in your lifetime? I have had two watches in my lifetime, and the Lord sparing, I hope to carry the one I now have for a long time. So when you let a good watch—

Senator HAWKES. I might remark that I would like to see the chairman have to get another watch before he is through.

The CHAIRMAN. Thank you. When you let a good watch into this country, you have brought in something that outlives a 3-year agreement. You have not brought in something that has a rapid obsolescence. You have restricted the market of the domestic watchmaker so far as that individual is concerned for a long, long time to come, far outliving any agreement that you may have.

Senator BARKLEY. What sort of watch is that?

The CHAIRMAN. This one I have here, I regret to say, is a Swiss movement. Is not Longines a Swiss movement?

Mr. CLAYTON. That is right.

The CHAIRMAN. I had to take it against my will.

Senator HAWKES. Our lowest cost is about twice as high. Have you anything yourself to show the relative costs in Switzerland?

Mr. CLAYTON. You mean costs of the plant?

Senator HAWKES. No; cost of the work. The actual watch works.

Mr. CLAYTON. I don't know, Senator Hawkes. I think they sell for approximately the same as the Swiss movements. Of course, the Swiss have to ship them over here, and they pay duties, and I am informed that they sell for practically the same to the people who put them in the cases.

Now, Mr. Chairman, I have tried to make this as short as I could.

The CHAIRMAN. The length of it has not been your fault.

Mr. CLAYTON. Thank you.

I would just like to make a few general remarks. We have listened here to witnesses who have appeared against the reciprocal trade agreements program. They represent pretty much the same interests that have been appearing at all of these hearings, this being the fifth one, and their arguments are pretty much the same. I think most of these gentlemen are living in the past. I think that we have graduated in the United States from that period of our history when we felt that we needed high protection in order to develop our industry, our infant industries, and bring them to maturity. No doubt at some period in our history the tariff was a very potent instrument in assisting in that development. That was a period when we were a debtor country; we owed the countries of Europe who had supplied capital for the building of our railways and the development of our country. We had to pay, I think, about four or five hundred million dollars a year in interest and dividends and amortization of those debts. That was a logical time for us to be a greater exporter than importer of goods.

So in that period it was perfectly natural that we should have protective tariffs, and we did so, but I submit that in several respects we have graduated from that period in this country. We are no longer a debtor nation; we are the world's greatest creditor nation. We are adding to that position heavily almost every day; and, so far as I can foresee, we will add to it from time to time; and we would hope, I take it, that all of us would hope that we would get as much of that money back as we can, that as little of it would be in the form of grants as possible. We may differ in our views as to what the proportions will be in those two classifications, but I would take it that all of us would hope that we would get as much of it back as we can.

If we get any of it back, we will have to do it by importing more goods and services than we export. Coincidental with that development in the last 25 or 30 years, we have developed so greatly our productive facilities in this country, not only in industry and mining, but in agriculture as well. We have adopted the most modern techniques in the world; we have the best equipment in the world. We have more capital than the rest of the world put together.

In the matter of production, we have been more successful in combining capital and labor and management in the mass production of goods on an efficient basis, good stuff at low prices, than any country in the world.

I have been around a good deal since the end of the war, and, even in those industries in Europe which have come back to their prewar

volume, I can state that in most cases in which I have made an examination——

Senator MARTIN. I dislike to interrupt, because this is most interesting, but you spoke there of mass production. There is no question about the fact that America has been the most successful nation in the world in mass production, but the extent of the American economy is the small business. What effect is this having on it? I wish you would take that up at the same time that you are taking up the other, because two-thirds of the American economy, regardless of the greater manufacturers of steel and automobiles and things of that kind, is dependent upon the business that is owned by and operated by an average of 2½ people.

Mr. CLAYTON. I am glad you brought that up, Senator Martin. I think if you will examine you will find that most of the small businesses in the country are distributive businesses. They are merchants and distributors of one kind and another. In other cases there are manufacturers, usually manufacturers of specialties, that do not come into direct or any competition with the foreign products.

You take, for example, the many small businesses that furnish parts and components in the manufacture of things like automobiles or refrigerators or radios. They are the outgrowth of our mass-production efficiency in business, and they generally are located pretty close to the big manufacturers that require their goods. I don't think that they come very much into competition.

Senator MARTIN. What you are saying is very true. Let us now get down to items like glassware, pottery, fabrics, and so on. They do not depend upon these supplying these great mass producers. What situation are they in? We have thousands of them in our country.

Mr. CLAYTON. That is right. They do not depend upon supplying the mass production.

Senator MARTIN. I am not saying these things in any opposition; I mean we are all Americans and we wanted to bring out the thing that will be for the best.

Mr. CLAYTON. That is right, and the point you make is a very valid one, and I will be glad to discuss it from my point of view, from my knowledge of it.

Those industries that you mentioned, such as glassware and pottery and things of that kind, are engaged in making things for the households and the restaurants and the hotels, and so on, of this country. I think in general that those industries have nothing to complain of at the present time, and I doubt if they will have for a long time to come, because of the great increase in our population and because of the great increase in the buying power of the American people. They require more of those things than ever before.

Senator MARTIN. I dislike to interject so any times. Take, for example, this: You can go downtown and you can buy glassware that is imported, and a nonexpert, like myself, cannot tell it from the old Bohemian glass, for example, and there is an enormously low price, and that is in competition with certain glass here.

You can find completed woodwork that is made in Italy at a price that we cannot compete with in our country. The same applies to pottery and certain fabrics that are brought in that we can compete

with in our country. I am bringing that up because we have to give it an over-all consideration in this economic problem.

Mr. CLAYTON. I think that is right. I do not mean to say that there is nothing that we make that may not suffer from foreign competition. That is a statement that nobody can make, and I certainly would not make it. I am only speaking by and large and in general of the great difference that has taken place in our economy in this country in the last 20 or 25 years which, in my opinion, makes of much less importance the question of foreign competition than that question occupied in years gone by.

During the war we did not keep pace in our productive facilities in this country, particularly of consumers' goods, with the great increase in population and the great increase in buying power of our population. You can mention numerous things like fabrics, clothing, and shoes, and things of that kind in which our productive facilities did not keep pace with the increased demands. We have fewer cotton spindles operating in the United States today than we had 25 years ago.

The CHAIRMAN. I do not believe, Mr. Clayton, that you are making that kind of an argument, but I suggest that you cannot generalize the proper protection of our domestic industries. I suggest that you have to consider each industry on its own bottom. I quite agree with you that we have some industries here that probably can overcome the low wages of other countries. I suggest that we may have industries that cannot do that.

Mr. CLAYTON. I would not disagree with that for a moment, Senator, and that is exactly the basis on which we operate in the reciprocal trade agreements program. We operate on a selective basis.

The CHAIRMAN. That is why I suggest that perhaps you put too much emphasis on the argument that because we are the most, for the time being, the most technologically advanced country in the world, have the most capital and so forth, that we need not fear foreign competition. I think we need not fear it in some industries. I suggest that we need to fear it very much in others.

Mr. CLAYTON. I think we need not fear it in most areas of production, but in some, of course, we would fear it, and we would certainly in the administration of reciprocal trade program be very remiss in our duty if we did not take those things into account, and we do.

The CHAIRMAN. May I make another observation in connection with something that you said earlier. You said explicitly that we need not have the same concern for the protection of infant industries that we used to have in the old days. I suggest to you that every technological advance that we make involves a new business or a multitude of new businesses, and unless those new businesses are to be taken up by a few powerful, concentrated industries who, until they can get going, can operate at a loss, I suggest that we will never see the time when we should not give some attention to the protection of infant industries.

Mr. CLAYTON. I was speaking in generic terms.

The CHAIRMAN. If I may carry that one further, obviously if you do not protect technological advance by giving it a chance to develop in this country, in the end you stymie your technological advance.

Mr. CLAYTON. Most of our technological advance has been made without the assistance of tariffs. It has been made in the great industries and the great corporations that maintain extensive research laboratories and research facilities, spend millions of dollars on it, and most of our advance technologically has come in those fields without any protection of tariff.

The CHAIRMAN. That is because they have the financial resources to bring it through the development period.

Mr. CLAYTON. That is right.

The CHAIRMAN. But I think we should be very careful pursuing the theory advanced by Senator Martin that we do not make it impossible for the little fellow to make a start in this country, because obviously if you do that pretty soon you have nothing but great concentrations of capital in this country. That is right, is it not?

Mr. CLAYTON. That is right. And I agree on that. We certainly keep that in mind in the administration of the reciprocal trade agreements program.

Senator BARKLEY. How many of the big companies that have the financial power and otherwise to engage in this research which brings on new technological advances and new sciences and new developments in the processes of manufacture have turned that over to the little companies in order that they might go along with it?

Mr. CLAYTON. I don't know the answer to that, Senator.

Senator HAWKES. My answer to that would be that they have turned it over by the thousands and thousands, by very modest license fees. They have put them in, and that is what Senator Martin had in mind, partly, of these technological developments, when they get into the smaller concerns they still need some help. The big concern that made the original development may not need help, but there may be hundreds of smaller concerns throughout the field that do, and I wanted to ask you this:

I was particularly impressed by a statement made by William P. Jacobs, president of the American Cotton Manufacturers Association. You probably know him.

Mr. CLAYTON. Yes, sir.

Senator HAWKES. Just this one little paragraph; it will not take very long. It impressed me very much. He said:

We do not know whether a continued lowering of barriers against world trade is necessary or inevitable as some of our leaders seem to think it is. However, if that be true we do maintain that the process of lowering should be subject to such limitations and speed and in amounts as will give our domestic industry to be the most effected the time to adjust themselves to the new standards and thus minimize the injury.

I agree with you that there are certain industries in this country that in the interest of the people of this country we cannot protect high enough to live if they have not a right to live—there is no question about that—but we cannot put them out of business by one stroke of the pen or by hurried action or speed. In other words, we should not do it in my opinion.

Mr. CLAYTON. We should not; you are right. I agree on that fully; but I think, Senator, that there may be circumstances in which a little more competition from abroad would be helpful. You take the industry that Mr. Jacobs represents and which I know something about, and they of course are working practically to capacity now.



They exported in 1947 \$500,000,000 worth of goods which ought to show pretty well that they are able to compete with foreign countries because they sold those goods in foreign markets in competition with foreign manufacturers. According to the National City Bank, 45 of the big companies in the industry made, in 1947, 36 percent on the average of their net worth after depreciation, taxes, and reserves of all kinds.

Senator HAWKES. That helped make up for some of the losses they had for a number of years prior. They were in very wretched shape prior to the war.

Mr. CLAYTON. That is right. I am not complaining of profits. I believe in the profit system and I am not complaining, but I am only saying that whatever fears they may have are fears as to the future, not as to what is happening in the present.

I agree fully with what you have just said that in the operation of this act and our general policy, we have to take all of these things into account. Many of these industries were built up under the protection of tariffs and we would not want to bring into force any conditions which would suddenly be very, very harmful to them.

We cannot do it, Senator. If we did it you would throw us out. We haven't done it and we don't propose to do it.

We have heard a great deal about shortages. There are no shortages in this country from the point of view of production. We are running now 70 percent above prewar in industry in production and in volume, on the average. Take the steel industry: Before the war we produced about 60,000,000 tons and now we are producing close to 100,000,000 tons a year. You take any line of industry that you want, you will find out that we are producing a great deal more than before the war. In agriculture even, with less workers than before the war, on the farms, they are producing one-third more than before the war.

So that from the point of view of production we do not have a shortage problem in the United States. The reason that prices are so high and that people in some cases cannot get what they want is that they want so much.

Senator HAWKES. I think that is very, very intelligent answer and I wish more people in America understood that that is a most important factor in everything that is going on today in the United States: That they want so much they are willing to reach out and bid higher than prudence would say they should bid.

Mr. CLAYTON. You heard witnesses from the cattle industry talk about the tremendous increase in consumption. The lower economic strata have the buying power to buy meat. They wanted it and they are getting it.

Senator HAWKES. In other words, Mr. Clayton, if we want to handle the situation in front of us, which is bigger than any of us, we have to exercise a little more self-control and a little more self-restraint and a little more of the self-denial that our forefathers exercised under similar conditions.

Mr. CLAYTON. I think so, but I haven't much hope that we will do it. I think that that situation requires a little more competition from the outside. I think that we have to let more goods in. It is not only indicated from the point of view of inflation and from the point of

view of the consumers and the right of the consumers of the country to get the things that they need and want at reasonable prices, it is not only indicated from that point of view, but it is indicated from the point of view of trying to preserve as much as possible of this enormous export market that we have.

We will not preserve it all, because it is due to shortages abroad and to the needs and demands of the whole world which impinge on our economy and our production.

Senator HAWKES. The very thing we are doing in the recovery program will be absolutely—if it is successful in any way, will be conducive to our not keeping our export market.

We may keep some of it but I mean it is beyond hope or expectation that I have that we can keep this great export market that has been created through shortages and the devastation that has been wrought throughout continental Europe.

Mr. CLAYTON. We should not keep it all and we cannot. As a matter of fact, much of these export goods really haven't a market. I have been taught to believe that a market is a place where you can take your goods and sell them and get paid for them.

Senator HAWKES. Paid in real money.

Mr. CLAYTON. And much of the goods that we are exporting, of course, we will not get paid for. We know that. The situation in the world is such that we have to furnish those goods to try to maintain stability in the world until other nations can get on their own feet. It is to our interest. We can't be the only prosperous country in the world. That is impossible. We can't operate in isolation.

So I think we are doing the right thing, Senator Hawkes. In many of these things we have got the opportunity to act to maintain a good deal of these export markets. For example, take wheat: We are exporting today enormous quantities of bread grains—over 500,000,000 to 550,000,000 bushels a year. Before the war if we exported a couple of hundred million bushels, that was something to put in the newspapers. We did not do it often. Now we are exporting 550,000,000 bushels. We raised a billion four hundred million bushels of wheat, and the human beings in this country can't eat over half of that to save their lives. Wasting and gorging as much as we do, they can't eat over half of it.

So if we continue to produce that wheat we have to find a market abroad. Of course the foreign countries are going to increase their production of wheat. They should do so and they will do so. But we would like to see it, and I think perhaps we can induce them not to increase it uneconomically as they did before the war. As you know, Germany and Italy particularly, and France to some extent, put on enormous tariffs and import quotas on wheat in order to stimulate the production of wheat artificially in their own countries so as to get ready for war. France did it as a protective measure. The other countries did it in aggression.

What we would like to see postwar and under this whole program is that these countries should limit their production of wheat. I mean that they should not put on artificial stimulants so as to stimulate the production of wheat uneconomically in those countries. They should, of course, produce all of the food that they can economically, but for surplus needs over and above what they can produce econom-

ically, they should buy from us and other producing countries. They can only do it if we will take goods in return.

We heard a good deal about agriculture. Some gentlemen professing to talk for agriculture spoke against the reciprocal trade agreements program. Agriculture has more to gain or lose by wise administration of the reciprocal trade agreements program than any other segment of our economy. Before the war agricultural income of this country was about 7.5 billion dollars. Last year it was \$30,000,000,000, four times prewar.

Let us look at the exports. Before the war we exported around \$800,000,000 worth of agricultural products; last year just under \$4,000,000,000—nearly five times.

On the import side of the picture before the war, the value of the dutiable agricultural imports—that does not include bananas and things like that—dutiable imports that might compete with something in this country, \$322,000,000, and last year a figure of \$1,056,000,000—just a little over three times as much.

So that agriculture has nothing to complain of as to what has happened in the last few years. Agriculture as a whole has nothing to complain of.

Senator HAWKES. May I interrupt there to say that I am interested in any kind of a fair reciprocal trade agreement that properly protects this country, and the hope I have is that no matter how we regulate this tariff question, we will regulate it in such a way that when we return to peacetime conditions, which we all hope we will do some day, we won't wake up and find out we have based our changes on abnormal wartime conditions to the point where they are wrecking peacetime conditions in the United States, because we have no place to go to for help.

The rest of the world has had a wonderful place to come to but we have no place to go to protect ourselves.

Mr. CLAYTON. I am in absolute agreement with you, but in that connection I would like to refer to the testimony of Mr. Mollin—I think his name was—yesterday, representing the cattle industry. He said the cattle industry is doing pretty well, and he was not worried about it, and I think he is right in that remark. At least we all feel so when we go to buy a steak in the market. But he was a little worried for fear in the reciprocal trade agreements we might so lower the tariff as greatly to disturb the domestic economy and reduce the buying power of the people for meat. He had better be worried on the other side as to what might happen if we lose too much of these enormous exports that we are making today. They have a good deal more to do with the maintenance of stability in the domestic economy on the present level than any possible increase of imports might have to do on the other side.

As you know, last year we exported \$19,000,000,000 worth of goods and services, and we only imported \$8,000,000,000 of goods and services, making a gap of \$11,000,000,000.

Senator HAWKES. There you have the thing I am talking about—the abnormal position. I am sure you see what I am talking about.

Mr. CLAYTON. I do, but I think that gap will necessarily be narrowed by a reduction in exports. We can't go on at a \$19,000,000,000 rate. That, I think, is obvious to us all, but it ought to be narrowed some by

an increase in imports. We don't want to drop down our exports from \$19,000,000,000 to \$8,000,000,000. That would harm the economy of the country much more than the bringing in of three, four, or five billion dollars of additional imports, of goods that the country can absorb and that the people want, and that they have a right to get at somewhat lower prices than they are paying today.

Senator HAWKES. I think that the point that you raise is very interesting. I think we have to give equal attention to those two factors—to the importing of goods which might increase the operation of plants and therefore bring about unemployment, and we have also to give attention to what is a fair balance of export trade which in itself, if we export and bring in imports that do destroy our own economy, creates employment. I think it is a thing that you have to look at from both sides.

Mr. CLAYTON. You have stated it correctly. It is the part of wisdom and statesmanship to arrive at a fair balance; there is no question about that.

This export business is very interesting. I heard the statement made here that we should not seek to export any more goods than are necessary to buy the things that we want to buy abroad that we can't make in the United States. Well, gentlemen, you would have a good deal of difficulty in selling that philosophy to the wheat farmer, to the cotton farmer, to the tobacco farmer, to the automobile manufacturers, to the radio manufacturers, to the office machine manufacturers. I think we would have a good deal of difficulty in selling that philosophy to them, because in many cases the margin of profit and of employment and the use of capital and plans is in this export trade, and we cannot afford to destroy it. We don't want any more than is healthy and proper, but I think it is in our national interest to protect that trade as much as we can. You don't protect it by putting any subsidy on it or giving it a tariff or anything else. You protect it by not excessively protecting the other side.

Senator HAWKES. You must agree that we do not want in any way to neglect the 92 percent of our volume of business for the 8 percent, or whatever it may be, that we hope to get abroad.

Mr. CLAYTON. Certainly not.

Senator HAWKES. We have to take care of the 92 percent because that is the foundation. You remember that old saying that it is the straphanger in the streetcar that pays the dividends. If you do not take care of those who are in the seats and they get out and the straphangers sit down, then you will not have any dividends.

Senator BARKLEY. The straphangers do not occupy the majority of those who travel.

Senator HAWKES. That is the point I am making.

Senator BARKLEY. I have also regarded, or understood, that the ratio was about 90 to 10, instead of 92 to 8. That is not material, of course. If we so handle our economy that we lose the 10, that necessarily means a reduction in our production or a reduction in the price if we try to sell it domestically to a point where it is not profitable to make it. So that what we have to do is to try to maintain both.

Mr. CLAYTON. That is right.

Senator BARKLEY. Not at any particular ratio; commerce takes care of that. You cannot do that by a law, but it is to our interest and it is a

wholesome situation, if we can, without injustice to too great a number of our people, maintain our exports and maintain our imports.

Mr. CLAYTON. That is right. Of course, the 10 percent is the average and it becomes very much greater when you apply to particular things.

Senator HAWKES. What are we exporting at now?

Mr. CLAYTON. About 10 percent of our total production of goods is being exported. Our total economy, as you know, is running around \$230,000,000, but that includes goods and services. We are exporting pretty close to 10 percent of our production of goods, but in some particular things, like wheat and cotton and tobacco, it is much greater than 10 percent. If you were to lose that the impact on that particular segment of the economy would quickly spread to others and be very serious.

Senator HAWKES. For a number of years prior to the war did it not run between 5 and 7½? Before the war period?

Mr. CLAYTON. Before the war, yes; it ran around, I would say, 6 to 7 percent.

Senator BARKLEY. In that respect, if you go back far enough before the war it did rise to the 10 percent level.

Mr. CLAYTON. If you go back, yes; it does. If you go back far enough you find in some particular things that the figure is 50, 60 percent of the production of that particular article. In the case of cotton, for example, when we used to export 55 to 60 percent of our production.

Senator HAWKES. Your objective and our objective should be to find the point where you get a thermostatic regulator that does not injure domestic economy and it does keep this thing going so that it is beneficial to our domestic economy, as well as beneficial to our relationship with foreign countries.

Mr. CLAYTON. Yes, sir; that is right.

Senator BARKLEY. Did you finish your comment on this cattle thing a while ago? You were diverted, I think.

Mr. CLAYTON. What I wanted to say was that the gentleman representing the cattle industry seemed very fearful the increased imports might upset the domestic economy and react on the consumption of meat, and I was just making the point that if he only knew it he ought to be very much more fearful that the domestic economy might be upset by the substantial loss of our export trade which would react much more quickly and violently on the domestic economy than any small increase of imports could.

The CHAIRMAN. Are there any questions?

Senator GEORGE. I have no questions.

Senator BARKLEY. We have exercised the privilege of plying him with a good many questions while he was testifying.

The CHAIRMAN. Thank you very much, Mr. Clayton.

Mr. CLAYTON. Thank you, sir.

The CHAIRMAN. The hearing is closed.

(Thereupon, at 12 o'clock noon, the hearing was closed.)