EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-FIRST CONGRESS

FIRST SESSION

ON

H. R. 1211

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

PART 1

FEBRUARY 17, 18, 19, 21, 22, AND 23, 1949

Printed for the use of the Committee on Finance

UNITED STATES
GOVERNMENT PRINTING OFFICE
86697 WASHINGTON : 1949

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EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

THURSDAY, FEBRUARY 17, 1949

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

The committee met at 10 a. m., pursuant to call, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Connally, Byrd, Johnson, Lucas, Hoey, McGrath, Millikin, Taft, Butler, Brewster, Martin, and Williams.

The CHAIRMAN. The committee has before it this morning H. R. 1211, which is an act to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes, which passed the House of Representatives on the 9th of February.

(H. R. 1211 is as follows:)

[H. R. 1211, 81st Cong., 1st 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 this Act may be cited as the "Trade Agreements Extension Act of 1949."

SEC. 2. The Trade Agreements Extension Act of 1948 (Public Law 792, Eightieth Congress) is hereby repealed.

SEC. 3. 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 and extended, is hereby extended for a further period of three years from June 12, 1948.

SEC. 4. Section 350 (a) of the Tariff Act of 1930, as amended, is hereby further amended by deleting the following therefrom: "in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public, and".

SEC. 5. 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 matter following the semicolon and inserting in lieu thereof the following: "and before concluding such agreement the President shall seek information and advice with respect thereto from the United States Tariff Commission, from the Departments of State, Agriculture, and Commerce, from the National Military Establishment, and from such other sources as he may deem appropriate."

SEC. 6. Section 350 (b) of the Tariff Act of 1930, as amended (U. S. C., 1946, title 19, sec. 1351 (b)), is amended by changing the colon to a period, by deleting the proviso, and by adding the following: "Nothing in this Act shall be construed to preclude the application to any product of Cuba (including products preferentially free of duty) of a rate of duty not higher than the rate applicable to the like products of other foreign countries (except the Philippines), whether or not the application of such rate involves any preferential customs treatment. No rate of duty on products of Cuba shall in any case be decreased by more than 50

per centum of the rate of duty, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress)."

Passed the House of Representatives February 9, 1949.

Attest: RALPH R. ROBERTS, *Clerk.*

The CHAIRMAN. On this matter we have here this morning the Assistant Secretary of State for Economic Affairs, Mr. Willard L. Thorp.

Mr. Thorp, will you please come forward?

We are sorry to have delayed you, but I do not think you have been very long delayed. You may proceed, and you may make such statement as you wish to make to the committee on this matter in chief and thereafter you may answer such questions as the committee members wish to propound.

STATEMENTS OF WILLARD L. THORP, ASSISTANT SECRETARY OF STATE FOR ECONOMIC AFFAIRS, AND WINTHROP G. BROWN, DIRECTOR, OFFICE OF INTERNATIONAL TRADE POLICY, STATE DEPARTMENT, WASHINGTON, D. C.

Mr. THORP. Thank you, sir.

My name is Willard L. Thorp. I am Assistant Secretary for Economic Affairs in the Department of State.

After full hearing before the Ways and Means Committee, the House of Representatives approved H. R. 1211 on February 9, a bill to repeal the Trade Agreements Extension Act of 1948 and to continue until June 1951 the authority of the President under the Trade Agreements Act of 1934, as amended. The last Congress reaffirmed the reciprocal-trade-agreement principle by its 1-year extension, and it appears that the general principle is firmly established. The present issue is primarily one of procedure.

The President is asking for a return to the procedures which had been developed as the result of experience from 1934 to 1948, rather than a continuation of the procedural limitations established in the 1948 act.

Under trade-agreement procedure as it existed up to 1948 the President entered into tariff agreements for the purpose of expanding American foreign trade and improving treatment of our commerce abroad after obtaining the advice of a number of interested executive agencies which functioned together through a committee structure known as the trade-agreements organization. They advised the President as to when negotiations might be undertaken and with what countries. When negotiations were decided upon they afforded full hearing to the public; they gave careful study to all aspects of concessions under consideration and made recommendations to the President; they acted as a steering group in the actual negotiations. As of June 1948 this interdepartmental organization included representatives of the Departments of Agriculture, Commerce, Labor, Treasury, State, the National Military Establishment, and the Tariff Commission.

Apart from the fact that the 1948 act gave authority for only 1 year, it made three objectionable changes in this procedure. It removed a key participating agency, the Tariff Commission, from the central role in every phase of trade-agreements work which it had

occupied up to that time; it caused unnecessary duplication of effort; and it required the Tariff Commission to prepare peril-point reports which would have had the effect of unduly limiting the scope of benefits we could hope to obtain through the reciprocal-trade-agreements program.

On the first point, I believe that it was the intention of the drafters of the 1948 act to give the Tariff Commission a larger role than it had enjoyed up to that time, but the real effect of the bill was the reverse. True, in the provisions for peril-point reports, the Commission was assigned a job of its own, to be performed without the collaboration of the other interested agencies. At the same time, the Commission was specifically denied a continued place as a collaborator in the planning for and the carrying out of negotiations. Its staff could no longer participate in country subcommittees of the Committee on Trade Agreements; a Tariff Commissioner could no longer sit as a voting member on the Committee itself, and its staff must not be included on the teams of negotiators who actually bargain with the representatives of other countries at international conferences. Instead of having a vote in all recommendations respecting trade agreements made to the President, the Commission was forced to confine its activity to the one function of preparing peril-point reports. The Tariff Commission and its staff are experts in this field, and have played a most important part in the past. The United States Government should enter into these negotiations with all the wisdom and skill which it can command, and that is not possible under the 1948 act. H. R. 1211 will restore the Tariff Commission to its former position of influence and usefulness.

The second major objection to the new act is the duplication of effort it has caused. The act obliged the Tariff Commission to hold public hearings in the course of preparing its reports. However, as no provision was made for the tariff Commission to receive views of exporters regarding concessions to be obtained or views of persons interested in the over-all aspects of the program, the Tariff Commission hearings did not eliminate the need for the regular hearings by the Interdepartmental Committee for Reciprocity Information. At the same time, many people interested in possible reductions in United States tariffs who appeared before the Tariff Commission, which had responsibility for determining peril points, also thought it necessary to appear before the Committee for Reciprocity Information, which consists of the officials who actually have responsibility for recommending concessions to the President. Thus, most of those who were concerned with possible reductions in United States duties appeared twice. The result was a substantial duplication and an unnecessary burden on all concerned.

The third major objection to the 1948 act is that the peril-point reports of the 1948 act are necessarily unduly restrictive. In them the Tariff Commission is reqiured to report what it finds to be the minimum tariff and other import restrictions, or the increases in tariffs or import restrictions necessary to avoid the threat of serious injury to domestic industry producing any article under consideration for trade-agreement concessions by the United States. The determinations by the Commission are to be made without regard to any national or international considerations, such as benefits to be obtained from other

countries, long-term needs of our economy for expanding markets, the necessity of obtaining the best possible use of domestic resources, including consideration of conservation, possible strategic considerations, and the possible repercussions of our actions upon policies of other countries toward us.

It is important that the Tariff Commission be brought into the team as soon as possible. Less than 2 months from today the United States will take part at Annecy, France, in an international conference which will have as its task the negotiation of reciprocal trade-barrier concessions. All 23 parties to the 1947 General Agreement on Tariffs and Trade will be there, negotiating with some or all of the 13 additional countries looking toward their becoming parties to the agreement. The new countries, with all of which we shall be negotiating, are Colombia, Denmark, the Dominican Republic, El Salvador, Finland, Greece, Haiti, Italy, Liberia, Nicaragua, Peru, Sweden, and Uruguay.

At Annecy, countries are expected to agree that some of the trade barriers now maintained by each country will not be increased; that others will be reduced or eliminated, and that certain preferences will be reduced or eliminated. At the same time, more nations will join in an agreement to extend to each other the best treatment they accord to any nation in customs matters; they will agree to keep quantitative restrictions to a minimum and see that these operate with as little discrimination as possible; they will undertake not to frustrate tariff concessions by the use of internal charges and restrictions which operate as invisible tariffs. We want the best possible results from these negotiations, and for that purpose we want full Tariff Commission participation in the months ahead.

I should not like you to gain any impression that the trade-agreements program has not involved consideration of its probable effect upon individual industries. The program has been administered with care, and with appropriate safeguards. The record of 14 years has not brought forward evidence of injury to domestic industry, although a few industries have consistently expressed fear that they would be hurt. Among these is the domestic jeweled-watch industry. Since witnesses are to appear who will present various views on this special problem, I would like to say a few words about it, although I will not try to go into the subject in detail.

The jeweled-watch industry consists in the United States of four firms, soon to be joined by a fifth. Three firms engaged only in domestic manufacture. The fourth, though a large domestic producer, is also an importer. Of the three firms which engaged only in domestic manufacture, two enjoyed record sales in 1947 and 1948, with net income comparing favorably with that of any previous year. One of them declared an extra year-end dividend in 1948. The third company, though it also had large sales through 1947, recently filed a petition for reorganization under chapter 10 of the Bankruptcy Act.

The claim has been made that competition from imports was the cause. However, there is abundant evidence of causes of a different nature. The company has had a history of financial difficulties and reorganizations. Witnesses familiar with the situation at Waltham indicated in their testimony before the House Committee on Ways and Means that not only poor manufacturing methods, lack of advertising, and outmoded distribution methods but also financial mis-

management were the cause of deficits in spite of the fact that sales had been high in recent years. The company itself made no mention of foreign competition as a contributing factor in its reorganization petition and stated that "the debtor's present financial condition is due primarily to lack of working capital. * * * The debtor believes that the enterprise is fundamentally sound and that its stability will be restored as a result of reorganization." Subsequently, the Reconstruction Finance Corporation agreed to lend what is considered a sufficient amount of working capital, providing certain conditions are met. It would appear, then, that the industry is not being seriously injured by imports and, second, the problem of the one company which is in trouble is on the way to solution by appropriate means.

Because much has been said of the essential role of the watch industry in wartime, I should like to add a word on that subject. The National Military Establishment is represented in the Trade Agreements Committee and has always followed the watch situation carefully. It is in complete agreement with the other agencies in the Committee that the national security is in no way threatened by imports of watches at present, and the Secretary of National Defense recently wrote to Mr. Doughton to that effect. There is no question but that we must maintain a pool of skilled watch workers for future emergencies, but there is no prospect that imports will either eliminate or seriously injure the watch industry. New capital is going into domestic watch production even now, notably in one of the three domestic firms and in a firm hitherto engaged exclusively in importing. With reorganization at Waltham, there is every reason to expect an expansion rather than a contraction of employment in the manufacture of jeweled watches.

It is, of course, important to have the record clear as to the fact that the trade-agreements program has been carried out without serious injury to domestic industries. However, it is equally important to stress the benefits which the program is bringing to American exporters and so, indirectly, to all domestic industry and agriculture. However, this leads into a consideration of the principle of reciprocal trade agreements and the objective of the expansion of trade, and that is not really the issue before this committee.

There is no doubt but that the program presents the best means available for securing a needed increase in American imports. There is no doubt but that it will help to maintain domestic production and ability to consume by supporting the demand for agricultural and industrial products which depend upon export markets.

However, the issue before this committee is a procedural one. We believe the old procedures were better. Every effort has been made in the past to negotiate trade agreements so as to avoid serious injury to industries in the United States. We believe that we have been successful in that effort, and we hope to maintain our record. Every effort has been made to include as broad and comprehensive safeguards as possible in the agreements, so that, if events prove that mistakes were made, there will be ample means of correcting them. This will continue. And we hope that the Senate will join the House in permitting the executive agencies of the Government, where skill and experience in this field are to be found, to work fully together

in carrying out the program. We wish to carry out this program as effectively and as wisely as possible.

The CHAIRMAN. Senator Connally, have you any questions?

Senator CONNALLY. I have one brief question: What are the views of Mr. Clayton, who I understand has been in charge of most of these international conferences on the subject of trade agreements? Does he favor this bill?

Mr. THORP. Yes; I believe Mr. Clayton is going to appear as the next witness.

Senator CONNALLY. That is all.

The CHAIRMAN. Senator Millikin?

Senator MILLIKIN. Mr. Thorp, you, of course, appreciate that this whole subject matter is within the direct, primary, expressed constitutional power of the Congress.

Mr. THORP. Yes; I do.

Senator MILLIKIN. That whatever power the President has results from our delegation of that power to him.

Mr. THORP. That is correct.

Senator MILLIKIN. Therefore, he is our delegate in this matter. Correct?

Mr. THORP. That is my understanding of the legal situation.

Senator MILLIKIN. Last year, when the matter was before us, proceeding on that theory, we asked for the minutes of the Interdepartmental Committee, and I, as chairman of the committee at that time, received a letter from Mr. Clayton. I will read it.

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,

WILLIAM L. CLAYTON,
Special Adviser to the Secretary of State.

Does that continue to be the viewpoint of the Department of State?

Mr. THORP. Yes; that still is the viewpoint.

Senaor MILLIKIN. Has the President been consulted in the matter?

Mr. THORP. I am not aware that he has been consulted in the matter since this letter was originally written; and I think you would have to ask Mr. Clayton whether he was consulted at that time.

Senator MILLIKIN. Well, would you mind taking it upon yourself to see that the President is consulted and that we may have his opinion on whether he wants to continue this secrecy in this matter?

Mr. THORP. Yes; I will be glad to forward that request to the President.

Senator MILLIKIN. You understand that the Tariff Commission is bound by specific law to report to this committee and to the House Ways and Means Committee on all of its actions.

Mr. THORP. I am not familiar with their legal requirements.

Senator MILLIKIN. I suggest to you that it follows that, since the President is merely acting as an agent of Congress in this matter, the Congress having the primary constitutional authority over the subject, he is obligated to give information to the Congress, just the same as any legislative agency would be.

On June 15, 1934, President Roosevelt wrote Representative Buck of the House as follows. This may be found in the records of the hearings, at pages 377 and 378:

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.

That was one of the early Presidential expressions that domestic industry shall be safeguarded.

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.

I invite your attention to that as a further reiteration of the Presidential policy of safeguarding domestic industry.

In connection with the hearings on the extension of the reciprocal-trade agreements in 1945, Mr. Clayton testified as follows: I am reading from page 7 of that report, and from page 378 of the hearings before the Senate Finance Committee:

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."

That I cite also as an additional confirmation of what appears to be, so far as the statements are concerned, the Presidential policy of no injury to American producers.

Do you agree with that?

Mr. THORP. Yes, I do.

Senator MILLIKIN. And is that the policy of your Department?

Mr. THORP. That is the policy.

Senator MILLIKIN. Are you aware of Mr. Clayton's testimony of last year that they take risks in making these agreements, figuring on the escape clause to escape the risk?

Mr. THORP. I am aware of that testimony; yes.

Senator MILLIKIN. Then will you carve out the State Department's exceptions, so that we may understand them clearly, to the rule of no injury to domestic producers?

Mr. THORP. I can't state any exceptions to that rule.

Senator MILLIKIN. There are no exceptions?

Mr. THORP. There is a basic principle, on which the whole program operates.

Senator MILLIKIN. You state there is no risk-taking?

Mr. THORP. I think I would have to state it this way: There is risk-taking by everyone operating in the economic world. What actually happens in this situation is that one has to examine the details of a particular situation and make a judgment as to where the point is which might be regarded as one which threatens; and, on the basis of that judgment, not go beyond that point.

Now, to the extent to which human judgment may be fallible, to the extent to which conditions may change, one may find that the judgment was in error; and in that situation the escape clause is the protection.

Senator MILLIKIN. I am driving to the point: Do you take calculated risks in the negotiation of your agreements?

Mr. THORP. We make a calculated judgment; and every judgment involves some risk.

Senator MILLIKIN. Well, if you take a calculated risk, when you are confronted with a single question of safeguarding domestic industry, how can you say that you are safeguarding domestic industry?

Mr. THORP. One makes a judgment as of the point at which the industry is safeguarded, and then defends that position by the escape clause. The calculated risk is the risk that is involved in making any judgment.

Senator MILLIKIN. But that is not what I am taking about. I realize thoroughly that in any judgment you make you can resolve all of the presumptions in favor of the domestic industry; and yet you might be wrong.

Mr. THORP. Yes.

Senator MILLIKIN. You might come up with something that would destroy the industry. And the result might have followed from the best of good faith and the most intelligent prior procedure. That is not what I am talking about.

Do you, in making these agreements, in their initial aspect, take a look at the whole situation and sometimes say, "This is risky, but we will do it and depend on the escape clause to get out"?

Mr. THORP. I would say that from the Department of State's point of view this is a relative problem. I would put it in other terms: that we do not act under this law in any direction in a way which we believe is likely to injure or threaten.

Senator MILLIKIN. Directing your attention to the hearings which were held before this committee last year, on June 1, 2, 3, 4, and 5, page 52: The chairman was interrogating Mr. Clayton. Down toward the bottom of the page, Mr. Clayton says:

> 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.

Would you say now that you do not take calculated risks?

Mr. THORP. I have not said, Mr. Senator, that there are not calculated risks; because this is all an area of uncertainty. But what I have said is that we do not take such action where we believe that there is a threatened injury to a domestic industry. This is a matter of judgment, on a scale of probabilities.

Senator MILLIKIN. But is the safeguard test the test? Or do you subject that test to other considerations?

Mr. THORP. The safeguard test is a very important element in the decision.

Senator MILLIKIN. But not the single test.

Mr. THORP. No, there are many tests that are involved before one decides on a total negotiation.

Senator MILLIKIN. I invite your attention to the fact that there are no exceptions carved out of any of those communications from either President Truman or President Roosevelt.

Mr. THORP. That is correct. I do not think I have been inconsistent. I have said that was not the only test. There are other tests as well.

Senator MILLIKIN. There are other tests, and I think you have made them clear in your statement here. Now we shall proceed to see what you carved out in the way of exceptions to the safeguard rule.

On page 2 of your statement, toward the bottom of the page, you say:

> The determinations by the Commission are to be made without regard to any national or international considerations * * *.

Now let us pause right there.

If the question were up as to a peril point, would you go below that peril point to serve national or international considerations?

Mr. THORP. Senator, I think perhaps it would help if I described briefly the difficulty which I have with the concept of peril points.

Senator MILLIKIN. Let us waive the expression "peril points." I do not want to get off into a lot of semantics here. I am trying to drive at something in substance.

Let us say you reached a point in your consideration of a problem where if you went below a certain duty it might injure domestic industry. Now, would you go below that point for national or international considerations?

Mr. THORP. No, we would not go below that point.

We will drop the peril-point definition, but I think the concept is important in this connection; namely, that in making a judgment on any particular situation there are levels which might be regarded as absolutely "no peril" or "no threat," as a "slight threat," a "greater threat," a "probable threat," and a "complete threat." This is a running scale. And the problem is not one of having some point on that where it suddenly turns from black to white, but it is problem of determining where, on this scale, one will decide that there is a real threat to domestic industry. Now when that point is reached, that does become a determining factor.

Senator MILLIKIN. I am not interested in this mental strip-tease that you are going through on how you reach a decision. What I want to know is: If you reached the conclusion that to go below a certain point would bring injury to a domestic industry, would you go below that point in the interests of national or international considerations?

Mr. THORP. I can't think of any cases where we would.

Senator MILLIKIN. Then all that you have said here is senseless. What you have said is: "The determinations by the Commission are to be made without regard to any national or international considerations." In other words, you say that the test we put on the Tariff Commission is too narrow; that the injury test, the peril test, is too narrow. So you are criticizing it by saying:

The determinations by Commission are to be made without regard to any national or international considerations.

It follows from what you have said that you favor considering international and national considerations in connection with whether injury is done, does it not?

You go on to say—

such as benefits to be obtained from other countries.

If the benefits from other countries were substantial enough, would you injure a domestic industry?

Mr. THORP. No, I would not take such a position where there was any substantial expectation of injury to a domestic industry. But I am saying that in determining where we are on this scale, and how far we might go to the point where there is an assurance of threat, these other elements enter into one's judgment.

Senator MILLIKIN. In other words, you modify the peril-point theory with your own judgment as to whether, by exceeding the peril point, national or international considerations will be served. Right?

Mr. THORP. What I am saying is that there is some point where one is sufficiently assured of a threat of injury that that does establish a limit, yes.

Senator MILLIKIN. Now, then, I ask you again if the benefits to be obtained from other countries, let us say some very substantial exporting benefit to us, were sufficient, do you claim that it is within your privilege to injure a domestic industry to reach that point?

Mr. THORP. No; what I have said is that these do enter into your determination of how far one does go in terms of the scale of peril or risk.

Senator MILLIKIN. I do not see any magic in this scale talk of yours, Mr. Thorp. The point is: Are you doing something which will injure a domestic industry? Now I am trying to find out the exceptions which you carve out to that protection. And under your statement here it appears that if a national or international consideration was sufficiently weighty, you would injure domestic industry. It appears from your statement that if benefits obtained from other countries were sufficient you would injure domestic industry.

Then you have—

long-term needs of our economy for expanding markets. * * *

What does that have to do with the simple question of whether a dometic industry will be injured by lowering a tariff, let us say, below a peril point? What weight do you give that in your decision?

Mr. THORP. I am sorry that I have not been able to make my position clear, Senator. My position is that there is no point at which you turn from black to white, which represents an exact point where suddenly one can feel sure that this is likely to injure domestic industry.

Senator MILLIKIN. Yes, you have a question of judgment.

Mr. THORP. There is a question of judgment. And the problem of how far one can go along that scale, short always of the point of assurance of injury, is determined by these other items.

Senator MILLIKIN. So that your judgment in determining where there should be in injury from a proposed rate is affected by—

national or international considerations, such as benefits to be obtained from other countries, long-term needs of our economy for expanding markets, the necessity of obtaining the best possible use of domestic resources, including consideration of conservation, possible strategic considerations, and the possible repercussions of our actions upon policies of other countries toward us.

Your criticism of the "no injury" rule boils down to that. You say the "no injury" rule is too narrow; that it is too narrow because it does not take these things ito consideration. Is that not correct?

Mr. THORP. I don't think I have said that.

Senator MILLIKIN. What is the purpose, then, of what you have said here?

Mr. THORP. I can only repeat the last answer that I gave, and that is that these factors which I have mentioned here are factors which are important in considering where one will come to rest on the scale of threatened injury, short of the point of probable or assured injury.

Senator MILLIKIN. You have said, here:

The third major objection to the 1948 act is that the peril-point reports of the 1948 act are necessarily unduly restrictive.

Now will you tell us how they are unduly restrictive?

Mr. THORP. There is another reason why I feel that they are unduly restrictive, apart from the subject matter which we have been discussing, and that is this: The Tariff Commission is instructed to fix points, exact points, at which it feels that there is a threat of injury to a domestic industry.

Having that responsibility—and it is a serious responsibility—it would seem to me that they would necessarily exercise the most extreme form of caution in fixing those points. And the reason is this: If they agree to a lowering of a tariff, we will say, by a certain amount, there never will be any way in which one can check as to whether it might have been lowered more than that amount or not without doing injury. If, on the other hand, there is injury which develops, quite possibly for the other reasons than just the tariff reduction, the Tariff Commission will be regarded as not having exercised its judgment wisely. Therefore, this responsibility is heavily loaded with respect to the position of the Tariff Commission from the point of view of their taking an extreme position. And that is the reason why it seems to me that this procedure restricts the possibility for negotiation which the President would have.

Senator MILLIKIN. And the other agencies of the Government making up this interdepartmental committee do not operate under the same pressures, or whatever you want to call them? They are not affected by considerations of that kind?

Mr. THORP. I would say the other agencies and the group with the Tariff Commission, working as a group, have tried to find the right points, rather than being put in a position where some future public censure may be voiced with respect to them, and, because of a responsibility given to them by Congress, tend to go to what I would regard as an extreme position.

Senator MILLIKIN. Why should anyone be sensitive about performing an official function, because of possible future criticism if they are wrong?

Mr. THORP. I am afraid this is a matter of human nature. One is asked to make a determination here, if a particular point, which as I see it, does not exist as a particular point. There is a scale of shifting circumstances here, and somewhere on that scale a particular point must be chosen. And because of the character of the situation it would seem to me—and I am talking of it in terms of the way I think I would function if I were a member of the Tariff Commission—that I would be extraordinarily cautious and extreme in determining that point in this range of possibilities.

Senator MILLIKIN. I would suggest if you were a member of the Tariff Commission that you would reach a point, following along that scale that you are talking about, beyond which there would be peril: and I suggest that that would also be good practice for the rest of the agencies in the interdepartmental committee to follow.

Mr. THORP. I should certainly try to do that, as a member of the Tariff Commission. I am talking about the effect of the circumstances.

Senator MILLIKIN. Mr. Thorp, the end point comes down to this: You have said that the peril-point business is unduly restrictive. When we analyze what you have said to find out why it is unduly restrictive, you complain because the peril point may not take national and international considerations into view, that it may not take benefits from other countries into view, that it may not take long-term

needs of our economy for expanding markets into view, that it may not take the necessity of obtaining the best possible use of domestic resources into view, and that it may not take into consideration conservation, possible strategic considerations, and possible repercussions of our actions upon policies of other countries toward us. Is that correct, or is it not?

Mr. THORP. Senator, I can only repeat—and I would rather have the record in my own words than in yours, if I might—that in determining the points which represent the maxima approved by the President in connection with negotiations, one takes all of these factors into account; and that this does not mean that these factors override a judgment with respect to the point at which there is assurance of, or a real reason for expecting, injury to a domestic industry.

Senator MILLIKIN. But in establishing a peril point, these considerations are weighed.

Mr. THORP. In establishing a point which represents the maximum to which one should go, these considerations are weighed subject to the maximum limitation which I have described.

Senator MILLIKIN. Now, does it not follow that if you give weight to all of these things that you have mentioned here, you might exceed the peril point?

Mr. THORP. What peril point? How do you define the peril point which you might exceed? I am saying that there is a scale of possible points, and one takes these into account in connection with it, but one never exceeds the point of expectancy of injury to a domestic industry.

Senator MILLIKIN. Yes; that is right. So why weigh all of these other things?

The Tariff Commission makes a study of the "X" industry in this country. In its judgment a certain rate would produce an unfair competition with that industry. Now, it reaches that conclusion. You suggest that that is unduly restrictive, because you should also give due consideration to all of these other things. If that is not your purpose, what is the purpose of this statement?

Mr. THORP. I also hope that in your summary of my position——

Senator MILLIKIN. Well, you summarized your own position, Mr. Thorp; and I am inviting your attention to it and trying to get its significance. If it has any significance other than that you qualify the safeguarding rule by these consideration, I would like to have you make that clear.

Mr. THORP. I hesitate to repeat again the concept that I have.

Senator MILLIKIN. Do not hesitate.

Mr. THORP. But the concept that I have is that there is a range of from no peril to complete peril, and that in the determination as to how far one may go in connection with the matter of threatened injury, one takes into account many different factors, but in no event does one go beyond the limit where the wise men on the subject feel that there is clearly a threat to domestic industry.

Senator MILLIKIN. Now, then, let us take this range. If there is no peril, there is no problem. Let us say it is kind of 50–50 whether there is peril. If it is 50–50, then you bring these other things into consideration?

Mr. THORP. One brings these other things into consideration in determining how far one can go, yes.

Senator MILLIKIN. What relevancy have these things to whether a domestic industry is in peril?

Mr. THORP. They have rather limited relationship to the problem of a single domestic industry.

Senator MILLIKIN. That makes up your whole case as to why the present system is unduly restrictive?

Mr. THORP. No, sir. This is one element of the case. The other element of the case is the fact that the operation is such, by setting the Tariff Commission off apart, to make these judgments, and having them a matter of public record, that the Tariff Commission, I would think would inevitably tend to be extremely cautious with respect to fixing these points. Because they do have to exercise a judgment over a range, and in that situation it would seem to me, since the only thing that ever can be proved will be where they have made mistakes with respect to setting the levels too low, that there will be a bias inevitably with respect to where these points are fixed, and that that in turn will impair the effectiveness of the program in general.

Senator MILLIKIN. All right. Now how would it affect their judgment, or the judgment of the interdepartmental committee as far as the peril point is concerned, to give regard to national and international considerations? As far as the peril point is concerned, come to it in any way that you want to, but how would their judgment be affected by giving regard to national and international considerations? How would that take you up or down on that scale that you were talking about?

Mr. THORP. Most of these that are listed here, I think, would tend to take one up on the scale. There may be others which might be considered which would tend to take one down on the scale.

Senator MILLIKIN. All right. Now, as to the determinations with regard to national or international considerations, how would that affect one's judgment as to the peril point?

Mr. THORP. I should think that those would enter into determining where, on this scale, one would come to rest in terms of what would be recommended to the President as a limit on his negotiations.

Senator MILLIKIN. How? Explain that to me. We are out now to safeguard the "X" industry in this country. All right. You consider competitive factors. You consider cost of production, when you can get the data. You consider all of the things that are listed and that are usually considered. Now you throw in another angle here, and that takes you into your sliding scale. You want to modify that sliding scale by these various considerations. We have agreed that to reduce the customs on widgets below 10 percent would jeopardize the widget industry. Or we are in kind of a middle position. So now we will take up "national or international considerations." How does that come into it? How would its jeopardy be less if you took up national or international considerations?

Mr. THORP. Well, I don't think that is the way in which the problem would be as apt to arise, as this; one might say that some modifications could be made in a particular industry, or in a particular commodity, with no threat whatsoever, and then you might say, "Well, it is just conceivable that if circumstances went in a particular direc-

tion, and a series of events happened there might be injury to the industry." This is a five percent chance; but there is that five percent chance.

Now, in that case, one, I think, clearly has to decide whether this, which is not what I would describe as an assured threat by any means, represents something that one can include, or not, in a negotiation. And that, I would think, would depend upon the importance to the country of the negotiation and its general effect.

Senator MILLIKIN. All right. Now, if there was a five percent chance, if that were the limit of your chance, I think that judgment would quickly resolve that problem. But supposing it was a 50 percent chance. I am following you now on your sliding scale business. Supposing it was a 50 percent chance. Now you say that if you reduce the tariff on widgets below this umpty-ump figure, there is a 50 percent chance that we are in peril. But we will take it out of the peril because of national or international considerations, or because of benefits to be obtained from other countries, or because of long-term needs of our economy for expanding markets, or because of the necessity of obtaining the best possible use of domestic resources. That is a pretty big order, Mr. Thorp. Then you say "including consideration of conservation," which is also a pretty big order, and "possible strategic considerations, and the possible repercussions of our actions upon policies of other countries towards us."

In other words, in that kind of a case you would move your peril point up, would you not?

Mr. THORP. Well, that again depends on what you mean by the peril point.

Senator MILLIKIN. I mean the point beneath which you cannot go and safeguard domestic industry. That is a matter of judgment. But I am saying to you, sir, that if your statement means anything, it means that in reaching that judgment, you will consider all of these other things. If not, your statement is senseless. And your criticism that the Tariff Commission is operating under an unduly restrictive law is also senseless. And I am trying my best to get you to put some sense into it.

You are saying that in this sliding scale, we have to consider these things until we reach that point where it is unanimously clear that we cannot go below. But if you are considering all of these things how do you ever reach that point?

Mr. THORP. I am afraid I do not understand the question as to how one reaches the point.

Senator MILLIKIN. Well, the Tariff Commission is in process of reaching them.

Mr. THORP. Yes.

Senator MILLIKIN. And have not you gentlemen been in process of reaching them in the interdepartmental committee?

Mr. THORP. Yes. They are reached; if that was your question.

Senator MILLIKIN. There is nothing strange about it, Mr. Thorp.

Mr. THORP. No. I am afraid I didn't understand what your question related to. The process for reaching them, of course, is a process of composite judgment of various people.

Senator MILLIKIN. Now let us see if we can get at it very simply. You say that the present law is unduly restrictive. Will you now tell us how it is unduly restrictive?

Mr. THORP. The present law is unduly restrictive because it requires the Tariff Commission to fix a specific point at which black turns into white. That is an impossible exact point to determine. Below that are points of varying degrees of injury and threat. And in determining what shall be the limits on the negotiation, it has seemed to us, and it has worked this way, that one should consider the degree of threat to domestic industry. And, along with that, the other elements which I have mentioned here.

Senator MILLIKIN. These elements that you have mentioned?

Mr. THORP. That is right.

Senator MILLIKIN. So that you include these elements in reaching that test.

Mr. THORP. In reaching the limit which is set for the negotiators.

Senator MILLIKIN. That is exactly what I am getting at. The present law is unduly restrictive because it does not require, in reaching the peril point, consideration of these matters.

Mr. THORP. It doesn't permit them to be taken into account.

Senator MILLIKIN. It does not exclude them, either; does it?

Mr. THORP. I had thought it set a particular standard. I would have to check the exact standard.

Senator MILLIKIN. No, it does not. But, Mr. Thorp, I repeat again: I think we now have an answer to what I have been driving at. You would consider all of these other matters in reaching the peril point.

Mr. THORP. In reaching the point which would represent the maximum which the President would authorize for the negotiators?

Senator MILLIKIN. That is right. In reaching that maximum, you would take all these other things into consideration.

Mr. THORP. This, of course, is subject to the fact that in reaching that point it must be borne in mind that it never is a point beyond which there is an assurance of threat to an American industry.

Senator MILLIKIN. All that I am driving at is that if you had your way you would consider all of these matters in reaching the point below which you believe you should not go.

Mr. THORP. That is correct; with an upper limit, which I have described.

Senator MILLIKIN. Regardless of limit, you would consider these points; would you not?

Mr. THORP. Yes; these points would all be considered.

Senator MILLIKIN. These points, under your view of it, should be considered and given weight in reaching the peril point. And because the present law does not require that, you say that it is unduly restrictive. Is that not your argument?

Mr. THORP. These are considered in reaching the limit which the President should authorize for his negotiators.

Senator MILLIKIN. Now, I think you have also added emphasis to Mr. Clayton's thesis that you take calculated risks; and you look to the escape clause to get out of the calculated risks. Is that correct?

Mr. THORP. The escape clause is an additional safeguard.

Senator MILLIKIN. Yes: all right. Now, you take a calculated risk, and that goes sour on you, we will say. Would you be good enough now to outline to us the procedures to invoke the escape clause?

Mr. THORP. The escape clause is invoked by the particular industry which feels that it is being threatened or injured, which files an

application with the Tariff Commission. And I believe there are hearings and a study by the Tariff Commission, and then a recommendation by the Tariff Commission to the President as to what action should be taken.

Senator MILLIKIN. First the industry itself assembles the data to make what it thinks is a case of peril. Right?

Mr. THORP. Yes.

Senator MILLIKIN. Then it makes an application to the Tariff Commission. As the first step, the Tariff Commission meets and determines whether it will have a hearing. Is that right?

Mr. THORP. Yes.

Senator MILLIKIN. The next step: Assuming that it decides to have a hearing, it then proceeds to have it, which involves time for witnesses and such time as is required to suit the convenience of the Tariff Commission.

Mr. THORP. Yes.

Senator MILLIKIN. Then you have the hearings, which involve time; then you have consideration by the Tariff Commission, which involves time; then you have the drawing of the report, and the agreement, I assume, of the Tariff Commission on the report, which involves time; then you send something over to the President. Now, what happens from that point on?

Mr. THORP. Well, from that point on the President makes a determination.

Senator MILLIKIN. Let us assume he makes a determination that prima facie, at least, there is a threatened injury or an existing injury to domestic industry. Let us assume that.

Mr. THORP. In that case, then, the escape clause is invoked, which is part of the trade agreement.

Senator MILLIKIN. Now, let us get at the action required by all of the countries which are parties to this multilateral agreement.

Mr. THORP. I will have to ask Mr. Brown to pick up at this point, because he can do better on the technical aspects of it.

Senator MILLIKIN. All right, Mr. Brown.

We have taken a calculated risk. It has turned sour on us. The industry has made its petition to the Tariff Commission. The Tariff Commission has finally decided there will be a hearing. It has held the hearing. It has agreed upon a report to the President. It has made a report to the President. The President decides to do something about it.

Now, what happens from that point on?

Mr. BROWN. Well, sir, the Tariff Commission report would presumably contain a recommendation to the President either that immediate action is necessary, in which case the President would go ahead and act, and would not need to consult with any of the other countries that might be interested in the concession that was being withdrawn, or, if it was not a case in which immediate action was necessary, there would then be consultation with the other countries with whom the concession had been negotiated.

Senator MILLIKIN. Let us assume several things. Let us assume first that the President concludes immediate action should be taken and he invokes the escape. Every other country that is interested has a right to take a compensating escape; has it not?

Mr. BROWN. Yes, sir.

Senator MILLIKIN. That is right.

How many countries are in the present multilateral agreement?

Mr. BROWN. Twenty-three.

Senator MILLIKIN. How many do you propose to get in?

Mr. BROWN. Thirteen.

Senator MILLIKIN. So 36 countries will have an interest in that escape.

Mr. BROWN. No, sir.

Senator MILLIKIN. They might have?

Mr. BROWN. That is conceivable, but highly unlikely.

Senator MILLIKIN. They might have. Certainly those countries with which you made the primary negotiation on that article would have an interest.

Mr. BROWN. And there are a great many articles in which only one country has an interest.

Senator MILLIKIN. That might be. But there might be many. Right?

Mr. BROWN. That is conceivable.

Senator MILLIKIN. That is why you have generalized your benefits.

Mr. BROWN. Yes, sir. But the agreements are so negotiated that the negotiation is generally with the principal supplier; and the number of countries involved would be normally limited.

Senator MILLIKIN. It might be one; it might be half a dozen.

Mr. BROWN. It might be as many as that.

Senator MILLIKIN. And there might be incidental repercussions that would go along the whole water front.

Mr. BROWN. That is conceivable.

Senator MILLIKIN. Now, you are in the field of diplomacy; are you not?

Mr. BROWN. No, sir. Well, I don't know whether you would call a trade negotiation "diplomacy" or not.

Senator MILLIKIN. You have invoked an immediate escape. The other countries that are directly affected, let us say, and those on which there are repercussional effects also have an interest. So now your duty is to try to contain the evil effects of that escape, to try to prevent countries taking compensating escapes that we might not want. Right?

Mr. BROWN. Well, Senator, I don't think that we could possibly take the position that if we withdrew a substantial benefit which we had agreed, for a quid pro quo, to give another country, it would be an evil effect for them to take back something on their side of the bargain.

Senator MILLIKIN. Let us call it any effect you want. They are entitled to take their own compensating escape; are they not? Now, naturally it would be to our interest to try to contain that process and hold it in directions that would no be unduly harmful to us.

Mr. BROWN. Yes.

Senator MILLIKIN. So you are in diplomacy; are you not?

Mr. BROWN. In negotiation.

Senator MILLIKIN. You are in negotiation. And you could put your own label on that as to how long it would take to run that process through.

Mr. BROWN. Sometimes it takes a long time. Sometimes it is very quick.

Senator MILLIKIN. Very seldom is it very quick; right? How many escapes have you taken?

Mr. BROWN. We have had action of those 23 countries on a complaint in 4 days.

Senator MILLIKIN. And what action was that?

Mr. BROWN. That was an action involving some import restrictions on our textile exports, proposed by Cuba.

Senator MILLIKIN. What escape did you take?

Mr. BROWN. We didn't take any escape.

Senator MILLIKIN. I am talking solely about escapes. Now, let us assume that instead of taking an immediate escape——

Mr. BROWN. May I just add one comment?

Senator MILLIKIN. Surely.

Mr. BROWN. I would say that I had thought your remark was addressed to the fact that because there were a number of countries involved, the process of getting agreement with them would necessarily be slow. And my answer is directed to the fact that that is not necessarily the case, and that we have had experience to prove that it is not.

Senator MILLIKIN. Well, I am suggesting to you that you have had no experience, under your multilateral agreement, on an escape.

Mr. BROWN. No, sir; not on that particular case.

Senator MILLIKIN. So that in the case where the President instead of, say, taking immediate escape, does the wise thing and says, "Well, now, let us see how this thing is going to pinch us," you start your diplomatic negotiations to find out what the country with which you negotiated, the principal supplier of that particular article, thinks about it, and what it is going to do. Right?

Mr. BROWN. I think it is very likely that we would do that long before.

Senator MILLIKIN. You could not do it until you had a case before the President.

Mr. BROWN. You could have an exploratory talk; yes, sir. It frequently happens.

Senator MILLIKIN. Supposing you did. The Tariff Commission then comes up and says, "We see no peril point here." So you have wasted your time.

Now, when the Tariff Commission makes its recommendation, you start your official machinery. And if the matter is not of the nature where the President says you should take immediate escape, you then start this diplomatic negotiation with the countries affected, to try to contain—I said "the evil effects" a while ago—to try to contain these compensating injuries to us. That is your job; is it not?

Mr. BROWN. It is not a compensating injury, sir. We have withdrawn a benefit that we got. Therefore, the other fellow is entitled to withdraw a part of his benefits.

Senator MILLIKIN. That is right. We understand each other.

Mr. BROWN. We go back to the status quo ante.

Senator MILLIKIN. That is right. And we might not like that.

Mr. BROWN. But they don't like our withdrawing our benefit from them.

Senator MILLIKIN. I am glad that you emphasize that. It emphasizes that they will take compensating escapes. And it emphasizes also, does it not, that the President, before he invokes the escape clause,

has to give considerable thought to what is going to happen when he does it?

Mr. BROWN. No, sir.

Senator MILLIKIN. Why not?

Mr. BROWN. Because he will have the recommendation of the Tariff Commission that there is an established case of threatened and serious injury.

Senator MILLIKIN. Yes.

Mr. BROWN. And he has given a commitment that he will not permit that to take place. He has established machinery for his action when those cases are presented. And I think that he would act upon that finding.

Senator MILLIKIN. Well, you are not suggesting that the President would take an escape without thinking of the repercussions on our own exports, for example; are you?

Mr. BROWN. He would think about it; but he has made this commitment, and I think he would live up to it. And the situation is not a case where somebody in another country is taking an affirmative action to make our position worse. It is a case where we have agreed to improve our mutual positions; where we, because of reasons which to us are quite satisfactory, have worsened the position of the other country; and therefore you go back more or less to the status quo ante.

Senator MILLIKIN. Yes. But no man can, in view of your multilateral relationship, which generalizes benefits and burdens, take an escape, I suggest, if he is responsible, without considering what the repercussions are going to be. Is that not correct?

Mr. BROWN. Yes; but I shouldn't think that they would be the controlling factor.

Senator MILLIKIN. Well, you do not know. I mean, supposing it would result in drying up exports of much greater value to us than the particular import involved. Then, under the criteria which Mr. Thorp has set out here, which I assume would work in reverse on this situation, you would have a lot of things to think about there.

Mr. BROWN. But, Senator, by definition it would not have that result, because, as you have pointed out, the action by the other country cannot be greater; it must be compensating.

Senator MILLIKIN. That is right.

Mr. BROWN. Therefore, the situation you have just suggested would not arise.

Senator MILLIKIN. Whether it reaches such a nice point of balance as to be exactly compensatory involves a whole lot of negotiation and consideration; does it not?

Mr. BROWN. No, sir; not necessarily.

Senator MILLIKIN. It just happens automatically?

Mr. BROWN. Well, let us put ourselves in the position, for a moment, if I may, sir, that another country had invoked the escape clause, and had withdrawn a concession which was of considerable importance to us.

Senator MILLIKIN. All right.

Mr. BROWN. We would feel that it was only appropriate that we should withdraw concessions; yes, withdraw concessions which were substantially compensatory. We would not withdraw a whole lot of other concessions in addition, and try to take an unreasonable attitude.

Senator MILLIKIN. Well, we might, or we might not.

Mr. BROWN. We might. But it would certainly be our intention to withdraw what was the equivalent.

Senator MILLIKIN. We would want to be fair about it.

Mr. BROWN. And presumably the other country would take the same procedure.

Senator MILLIKIN. And every country will reach its own judgment as to what is fair on the thing.

Mr. BROWN. That is correct.

Senator MILLIKIN. So that you have a whole chain of actions and reactions resulting from this escape.

Mr. BROWN. Conceivably; but not necessarily, and not probably.

Senator MILLIKIN. Conceivably. It might happen. And if this matter is a matter of value to anybody, you are going to have it.

Mr. BROWN. Not necessarily.

Senator MILLIKIN. You mean that a certain country that has been proceeding on the basis of a certain concession would take that on the chin without establishing a compensating move?

Mr. BROWN. No, sir. But you might very well have a situation where the item was only of interest to one country.

Senator MILLIKIN. Yes; I understand that. But it might be a lot of countries, might it not?

Mr. BROWN. It might equally well be one.

Senator MILLIKIN. But it might be a lot of other countries.

Mr. BROWN. Yes, sir. As I say, conceivably.

Senator MILLIKIN. I am not trying to limit it, any more than I am trying to exaggerate it. We are saying something which is correct when we say it might be one country, or it might be a considerable number of countries. Right?

Mr. BROWN. Yes, sir.

Senator MILLIKIN. We agree.

Now, then, you have all those time elements in there.

Mr. BROWN. No, sir; there is no time limit.

Senator MILLIKIN. Of course there is no time limit when you get into diplomacy.

Mr. BROWN. Well, may I say this, sir: That the decision as to when the President takes the remedial action which is recommended by the Tariff Commission is entirely up to him?

Senator MILLIKIN. Yes.

Mr. BROWN. He does not have to consult with any other country about that, and the agreement is quite clear on that point.

Senator MILLIKIN. I think that is all quite clear.

Mr. BROWN. Therefore, if the negotiations which you envisage, in a case which is initially not recommended for immediate action by the Tariff Commission, should drag out, the President can go ahead and take his action when he, on the advice of the Tariff Commission, feels that it is necessary.

Senator MILLIKIN. That is right. And the whole subject can be tossed into this little ITO that you have in your general agreement. Right?

Mr. BROWN. The effect of the action that we take can, and will be.

Senator MILLIKIN. So that is something else that the President must contemplate when he reaches his decision.

Mr. BROWN. But that does not limit our action if we are addressing ourselves to the point.

Senator MILLIKIN. You are not addressing yourself to the point, but the President would naturally look around to see what the repercussions are of any action which he takes.

Mr. BROWN. Of course.

Senator MILLIKIN. Of course. All right. Now, then, you start out with taking a chance. The chance has turned sour, and you are subjecting an American industry to all of these complications that we are talking about. And at the same time you say that you have a procedure for safeguarding American industry.

Mr. BROWN. We are not, sir, if you will permit me to say this, subjecting domestic industry to any of the complications of international negotiation which we have been discussing. The President is entirely and absolutely free to take his remedial action and protective action when and as he sees fit. Therefore, as to this matter of subsequent international negotiation, the industry affected is not involved in any of the intricacies of that performance.

Senator MILLIKIN. It is involved, as far as the time is concerned.

Mr. BROWN. No, sir.

Senator MILLIKIN. Let us suppose that an industry feels itself threatened by imports. It goes before the Tariff Commission and asks for an escape.

Mr. BROWN. I agree with that.

Senator MILLIKIN. And by the time you get through with all of this rigmarole: It might not be destroyed—I am anticipating you—but also it might be destroyed.

Mr. BROWN. I am sorry. I did not mean to say that the domestic industry would not have to go through the procedure of establishing its case before the Tariff Commission; although it is possible under the procedures which have been set forth, for the Tariff Commission to initiate the procedure on its own motion.

Senator MILLIKIN. Well, let us assume the President can do it himself. He also has the power not to do it at all, has he not?

Mr. BROWN. Oh, yes.

Senator MILLIKIN. So, this original chance turns sour; and now, according to your own testimony, it is within the discretion of the President as to whether he wants to take an escape. Right?

Mr. BROWN. The President is not bound by this, but he has given his assurance.

Mr. THORP. I think the letter from the President that you read into the record earlier might have some application as to his view on this.

Senator MILLIKIN. But the letter I read into the record, Mr. Thorp, does not include all of these other considerations. And the letter that I read before did not outline the difficulties of the escape procedure. For in my judgment, if you have taken a calculated risk and it turned sour on you, your escape clause procedure might be utterly worthless as far as protection of the domestic industry is concerned, through the very complications that we have outlined, through the time delays that we have outlined.

So it seems to me that we are indulging in a hypocrisy when we say that we are going to safeguard American industry, and at the same

time we put it in the lap of the escape clause for its protection after having taken a calculated risk. I think it makes a farce out of the assurances that domestic industry will be safeguarded.

Now let us discuss the role of the Tariff Commission in this business. You say—I am reading from page 1—that the 1948 act—

> removed a key participating agency, the Tariff Commission, from the central role in every phase of trade-agreements work which it had occupied up to that time.

Up to that time it had assembled data for the interdepartmental committee. Right?

Mr. THORP. Yes.

Senator MILLIKIN. Up to that time, a member of the Tariff Commission sat on the interdepartmental committee. Right?

Mr. THORP. Yes.

Senator MILLIKIN. The member did not represent the Tariff Commission. He was selected from the Tariff Commission. And he did not necessarily have to pass on to the interdepartmental committee the views of the Tariff Commission. Right?

Mr. THORP. Whatever his arrangement with the Tariff Commission was, was for him to make.

Senator MILLIKIN. I do not know whether he can make any arrangement that is not specified in law. The way you did it, you selected a man out of the Tariff Commission to sit on the interdepartmental committee. The facts are that the Tariff Commission, as a body, did not pass on these things, and that the representative from the Tariff Commission was not required to pass on the views of the Tariff Commissioners. He was merely selected from that group, as others were selected from other places. Right?

Mr. THORP. That is right.

Senator MILLIKIN. Then, what is this role of the Tariff Commission in the old procedure, that is so important?

Mr. THORP. The role was very clear. You had in the Tariff Commission an exceedingly expert staff.

Senator MILLIKIN. Which is still available to you.

Mr. THORP. Only available now with respect to giving facts.

Senator MILLIKIN. The collection of data. And that is what it did before. That is exactly what it did before. That is what it is doing now.

Mr. THORP. It did more than that before. You are quite correct that it did that before. But before, members of the staff of the Tariff Commission sat on the various committees that worked with respect to individual countries, for example, and participated in the consideration of the program which was developed. And this was very important in terms of providing facts.

Senator MILLIKIN. I am not talking about advisors.

Mr. THORP. But it also was important in terms of wisdom.

Senator MILLIKIN. Mr. Thorp, I am not talking about advisors, and I am not talking about observers. Are you stating that members of the Tariff Commission, or members of its staff participated as the actual negotiators of reciprocal trade agreements?

Mr. THORP. Yes. sir. That was not what I was stating at the moment; but that is also true.

Senator MILLIKIN. To what extent was that done?

Mr. THORP. I believe that four of the five members on the Tariff Commission were in Geneva.

Senator MILLIKIN. They were there as observers?

Mr. THORP. No, sir, they were active.

Senator MILLIKIN. Do you mean to tell me that you have been using a congressional agency to take part in the business of an executive department of the Government? Does that not at once suggest that you are doing something for which there is no authority? Can you find any provision in the law that authorizes the Tariff Commission to negotiate a trade agreement?

Mr. THORP. I don't want to debate about authority, because I am sure you know better than I.

Senator MILLIKIN. You know this field. You are an expert in this field.

Mr. THORP. But this was obviously not a negotiation done by the Tariff Commission as a body. I said there were four of the Tariff Commissioners who were in Geneva and who were very active and helpful.

Senator MILLIKIN. I do not deny that they were active. I do not deny that they were helpful. I know they were there. I had understood they were there as observers, and that you might consult with them. But when you tell me that you made them actual negotiators of the treaties, or arranged that they were to be on negotiating terms, on the face of it you are making a declaration that you have done a very unlawful thing. You cannot produce any authority for the Tariff Commission, which is an independent agency of the Congress, participating in executive work of any kind. And that was never the intention of Congress.

Mr. THORP. I am sorry, but I am not an expert on the authorities given by Congress.

Senator MILLIKIN. Is there anyone here who knows about that?

I suggest to you that unless we change the law and give the Tariff Commission a different status, unless we make the Tariff Commission an agency of the executive department of this Government, if it has been engaged in actual negotiation of trade agreements, it has been doing a completely unlawful thing. And I suggest that instead of bragging about it, you ought to have a certain sense of shame.

Now we come back to the role of the Tariff Commission in the interdepartmental committee. Do you agree with me that the member that was picked from the Tariff Commission was there in his individual capacity, and might or might not reflect the views of the Tariff Commission?

Mr. THORP. That is my understanding.

Senator MILLIKIN. That is correct. Well, I think that takes considerable swelling out of this importance of the role of the Tariff Commission in your old procedures. Because you can still get all the facts that they ever furnished you.

Mr. THORP. But we can't get their wisdom in terms of participation in thinking and judging with respect to the application of the program. We do get their facts; but we want more than their facts.

Senator MILLIKIN. Oh, yes. You get their wisdom. You get their wisdom on the most important part of their function; to wit, the establishment of peril points. You get their wisdom all right. And you also get all the facts that you want.

Now, you are talking about unnecessary duplication of effort. The fact of the matter is that you had the Tariff Commission, and the interdepartmental committee operating at the same time. Is that not correct?

Mr. THORP. Yes.

Senator MILLIKIN. And only about 25 percent of the people that appeared before one, appeared before the other. Is that not correct?

Mr. BROWN. In my understanding, it is considerably higher than that—more than half.

Senator MILLIKIN. My figure is about 25 percent. But in any event, if you had wanted to, under your own theories as to what powers you have, you could have delegated the whole job to the Tariff Commission, could you not?

Mr. THORP. I do not quite understand how we could have. Because the Tariff Commission is supposedly to be kept separate from questions with respect to anything other than those concerned with the peril-point matter.

Senator MILLIKIN. Yes. Well, if they have a separate job, why should they not operate separately? What is all this damage that is done by having two different inquiries; where those who want to, who have an exporting interest, appear before your interdepartmental committee, and those who have an importing interest appear before the Tariff Commission? If they have a joint interest, why should there not be two places for them to go to?

Mr. THORP. We did try to accomplish the result which you suggest, by making it clear that those who appeared before the Tariff Commission would have the record utilized by the other group.

Senator MILLIKIN. Yes.

Mr. THORP. But a large number of the witnesses preferred to appear before both groups; in part, I think, because they wanted to be sure there was the opportunity for cross-examination of them.

Senator MILLIKIN. Well, that was an admirable procedure then. What is the complaint about that?

There is this end point, is there not: That whether the interest be an exporting interest or an importing interest, there was a place to go, to make the case.

Mr. THORP. Yes; that is correct.

Senator MILLIKIN. And the end point is that you continue to receive facts from the Tariff Commission, as you always have.

Mr. THORP. That is correct.

Senator MILLIKIN. Now, what percentage of the world's trade is represented by Colombia, Denmark, the Dominican Republic, El Salvador, Finland, Greece, Haiti, Italy, Liberia, Nicaragua, Peru, Sweden, and Uruguay?

Mr. THORP. We will be glad to supply that for the record.

(Mr. Thorp subsequently supplied the following information:)

In 1938, these countries (excluding Liberia, for which figures are not available) accounted for slightly over 8 percent of world exports and the same percentage of world imports.

Senator MILLIKIN. Do you intend to start these negotiations in April?

Mr. THORP. Yes, sir.

Senator MILLIKIN. It is your understanding that the Tariff Commission will have ready the peril points on March 4?

Mr. THORP. We have no information to the contrary, at any rate.

Senator MILLIKIN. My informal information is that they will have.

How long will it take to negotiate these new agreements?

Mr. THORP. I should imagine that it would take several months.

Senator MILLIKIN. Several months. When you get those in, you will then have covered the world with trade agreements, with very unimportant exceptions.

Mr. THORP. A very substantial part of the world, yes.

Senator MILLIKIN. When you get that done, your job will have been finished, roughly speaking?

Mr. THORP. No. There still remain other areas, and trade agreements from time to time have to be renegotiated with respect to changing circumstances.

Senator MILLIKIN. The agreements you completed at Geneva expire when? I mean, they could be brought to an end when?

Mr. BROWN. Within 60 days, sir.

Senator MILLIKIN. Within 60 days? Is there not a 3-year period after which there can be——

Mr. BROWN. The agreement is now provisionally applicable under a separate protocol; but under the agreement itself when it becomes definitively applicable, it runs to 1951, and after that you can withdraw on 6 months' notice.

Senator MILLIKIN. But barring some extraordinary procedure, of somebody pulling out in the meantime, those agreements will finish their initial term, let us call it, when?

Mr. BROWN. In 1951.

Senator MILLIKIN. 1951?

Mr. BROWN. Presumably.

Senator MILLIKIN. These agreements, I assume, will be drawn in much the same way.

Mr. BROWN. Yes, sir.

Senator MILLIKIN. They will have a further 3-year period.

Mr. BROWN. They will be the same. All the agreements have been 3 years.

Senator MILLIKIN. You expect to finish them within several months after you start negotiating?

Mr. THORP. Yes, sir.

Senator MILLIKIN. I assume you have already jumped the gun and have most of your field work done, have you not?

Mr. BROWN. No, sir.

Senator MILLIKIN. You are going to go into it cold?

Mr. BROWN. No, sir.

Senator MILLIKIN. Why a 3-year extension of this act?

Mr. THORP. The 3-year extension is the traditional length of extension.

Senator MILLIKIN. No, no; it is now 1 year.

Mr. THORP. I suppose I am going back a little further into history.

Senator MILLIKIN. You are going back to the McKinley era, and those antediluvian reactionary days.

Why a 3-year extension? I ask, seriously.

Mr. THORP. I think the most important reason for a 3-year extension is that this is a clear part of American economic foreign policy, and it

has seemed important to us that this does not seem to be a policy which was operated on a year-to-year basis, but which had some degree of permanence.

Senator MILLIKIN. In your testimony before the House, Mr. Thorp, you said, in effect that the 1-year provision of the act last year cast doubt in the minds of foreign countries as to the permanency of our program, and so forth and so on.

Mr. THORP. Yes, sir.

Senator MILLIKIN. And in your testimony you also stated that as of the time of the enactment of that act a certain number of countries had signed up to the Geneva multilateral agreements. How many?

Mr. BROWN. As of what date, sir?

Senator MILLIKIN. As of the time of the enactment of the act of 1948.

Mr. BROWN. About 10 or 11.

Senator MILLIKIN. Well, let us see if we can find it, exactly. I am reading from page 5 of the House record:

> Accompanying the lists of concessions by each country, or schedules as they are known, were general provisions along the lines of those contained in earlier trade agreements concluded by the United States. Their purpose was to assure each country that the concessions granted by others would not be nullified through nontariff action, and to safeguard the legitimate domestic interests of the countries parties to the agreement. Nine countries gave provisional effect to this unprecedented agreement on January 1, 1948, and by the time the Trade Agreements Extension Act was under consideration, most of the others were in the process of making it effective. It has now been made effective by 22 out of the 23 countries involved.

So the 1-year period of the act did not scare any countries, did it? They all came in. Right?

Mr. THORP. Yes, they came in. Of course, the point was that this particular agreement had been negotiated.

Senator MILLIKIN. Yes; but their confidence in our position was not so shaken that they declined to proceed. Right?

From your own testimony, they did proceed.

Mr. THORP. That is correct.

Senator MILLIKIN. Now these other countries are proceeding under the act of 1948, are they not?

Mr. THORP. That is correct.

Senator MILLIKIN. So what is there to this point that the 1-year extension shook the confidence of the world and jeopardized the reciprocal-trade system?

Mr. THORP. What is in the point is that while these countries went ahead and acted as long as they had the opportunity to do so, it was a matter of real concern to them with respect to where the United States was going in its economic foreign policy.

Senator MILLIKIN. Well, they apparently concluded that we are going to continue along the route of reciprocal trade. Because after that you finally wound up with 22 out of 23 countries signed up, and now you are going to sign up another 11. So no serious damage was done, was it?

Mr. THORP. I am talking of damage here more in the basic sense of confidence in the degree to which the United States has persisting policies and attitudes toward its international economic relations.

Senator MILLIKIN. The test of the confidence angle is "what is the effect of it?" or "what is the effect of lack of confidence?" All I am

saying is that under your own testimony the 1-year extension did not shake the confidence of the world in our intention to stay with reciprocal trade.

Mr. THORP. Well, as a matter of fact, I suppose one way of getting countries in to sign would have been to say, "We are going to discontinue this policy after a few months."

Senator MILLIKIN. I assume, then, that we may argue that we should not have more than another 1-year extension. Would that help you with your other 11 countries?

Mr. THORP. I think the other countries seem to be quite prepared to go ahead under the program. What I am concerned with is the fact that other countries are concerned about the degree to which they should proceed in the direction of reducing trade barriers, or should move in the direction of more use of quotas, and things of that sort. And if there are suggestions made to them that the United States has real qualms with respect to its general line of trying to develop the expansion of world trade, that has repercussions in many ways; not merely in the negotiation of agreements, but in their general policies.

Senator MILLIKIN. Let us see what some of those repercussions are. As to the countries that were in the multilateral Geneva agreement, how many of them have abandoned their quotas, their import licenses, their exchange controls, since they joined? Not one. I suggest not one. Does that carry certain significance to your mind?

Mr. THORP. I would be inclined to think that that was correct factually. I have not checked it through.

Senator MILLIKIN. Last year we had a list prepared, I think by the State Department, of the import controls of various types, quotas, quantitative restrictions, licenses, exchange angles. Will you get that down to date and put it into the record?

Mr. THORP. Yes, sir.

(The material referred to is as follows:)

Summary of import license and exchange control regulations in principal foreign countries

[Revised as of February 1949]

Country	Is import permit necessary?	Is exchange permit required?
Argentina	No; except for a selected list of commodities.[1] Certain products are subject to import quota.	Yes; for *all* imports; granted only for "listed" products. Application should be filed prior to confirmation of purchase order.
Australia	Yes	Yes.
Austria	Yes	Yes; import permit does not automatically carry the right to foreign exchange.
Belgium-Luxemburg	Yes; for all imports from dollar areas.	Yes.
Belgian Congo	Yes	Yes.
Bolivia	Yes; for all imports; reported not being granted for luxury goods until exchange situation improves.	No; the import permit authorizes purchase of exchange, but is not a guaranty that exchange will be granted.
Brazil	Yes; for all imports except pharmaceuticals, cement, certain foods and certain books, magazines, and newspapers.	Yes.[2]
Bermuda British East Africa British West Africa British West Indies British Guiana British Honduras British Colonies, other	Yes	Yes; import permit generally assures release of foreign exchange.

See footnotes at end of table.

Summary of import license and exchange control regulations in principal foreign countries—Continued

Country	Is import permit necessary?	Is exchange permit required?
Bulgaria	Yes	Yes.
Burma	Yes	Yes.
Canada	Yes; for many products [1]	Yes.
Ceylon	Yes	Yes.
Chile	Yes; must be obtained prior to shipment of goods, and a copy must be sent to the exporter.	Yes; in the form of a notation on the import permit.
China	Yes; certain goods are also subject to quota allocation.[2]	Yes; exchange is made available through approved banks for licensed imports.[2]
Colombia	Yes; for practically all shipments must be obtained prior to purchase of goods.	No; but import permit necessary to obtain foreign exchange.
Costa Rica	No	Yes; foreign exchange is rationed.
Cuba	No	No.
Czechoslovakia	Yes	Yes; import permit carries the right to foreign exchange.
Denmark	Yes; on almost all commodities	Yes.
Dominican Republic	No	No.
Ecuador	Yes; must be presented in order to obtain the consular invoice.	Import permit carried the right to foreign exchange. (Central Bank of Ecuador.)
Egypt	Yes; unlicensed imports are subject to confiscation.	Yes.
Eire	For a few products only [1]	Yes.
El Salvador	No	No.
Finland	Yes	Yes; import permit carries the rightS to foreign exchange.
France	Yes; obtainable for "essentials" only.	Yes; issued simultaneously with the import permit.
French Colonies	Yes	Yes; import permit carries the right to foreign exchange.
French Indochina	Yes	Yes.
Germany	Yes	Yes; import permit carries commitment to make available foreign exchange.
Greece	Yes; permits granted only for limited number of essential products.	Yes; import permit carries the right to open a letter of credit.
Guatemala	No	No.
Haiti	No	No.
Honduras	No	Yes.
Hong Kong	Yes	Yes; but there is no delay.
Hungary	Yes	Yes.
Iceland	Yes	Yes; unless otherwise stated on the permit, the import permit carries the right to foreign exchange.
India	Yes	Yes; import permit ordinarily carries the right to foreign exchange.
Iran	No	Yes.
Iraq	Yes; goods exported before a license is obtained are confiscated.	Yes; permits are obtained through licensed dealers.
Italy	Yes; from the Italian Exchange Office, except "list A," (mostly industrial raw materials which require only a Bank of Italy "benestare.")	Yes; through the Bank of Italy or its agents.[4]
Japan	Yes	Import permit carries right to foreign exchange.
Korea	Yes	No; trade is conducted on a compensatory (barter) basis.
Liberia	For arms and ammunitions only	No.
Luxemburg	(See Belgium-Luxemburg.)	
Malayan Federation	Yes	Yes.
Mexico	There is a long list of products which are prohibited from importation, and another list of commodities requiring an import permit.[1]	No.
Morocco (French)	Yes	Yes.
Netherlands East Indies	Yes	Yes.
Netherlands West Indies	Yes	Yes.
Netherlands	Yes	Yes ("payment attest").
Newfoundland	No; except for food products	Yes.
New Zealand	Yes	Yes; import permit carries the right to foreign exchange.
Nicaragua	Yes	No.
Northern Rhodesia	Yes	Yes; import permit carries the right to foreign exchange.
Norway	Yes	Yes; import permit carries the right to foreign exchange.
Pakistan	Yes	Yes; import permit ordinarily carries the right to foreign exchange.

See footnotes at end of table.

Summary of import license and exchange control regulations in principal foreign countries—Continued

Country	Is import permit necessary?	Is exchange permit required?
Palestine	Yes	Yes.
Panama	No	No.
Paraguay	No	Yes.[5]
Peru	Yes	Yes.
Philippine Republic	Yes; for certain specific non-essential articles, for which import license number must appear on consular invoice.	No.[6]
Poland	Yes	Yes.
Portugal	Yes	Yes.
Portuguese Colonies	Yes	Yes.
Rumania	Yes	Yes.
Saudi Arabia	No	No.
Siam	No; import licenses have been discontinued.	Yes; the government controls on the major part of foreign exchange are still in effect.
Singapore	Yes	Yes.
Spain	Yes; largely limited to essential raw materials.	Yes; exchange must be obtained through Foreign Exchange Institute which usually, but not mandatorily, grants it in accordance with the terms of the license. Special exchange rates fixed for many products.
Southern Rhodeisa	Yes	Yes.
Spanish Colonies	Yes	Yes; the import permit carries an allotment of foreign exchange.
Spanish Zone of Morocco	Yes	Yes; import permit carries the right to foreign exchange.
Surinam	No	Yes.
Sweden	Yes; rigid controls. Special "free list" exempt from import license.[1]	Yes; rigid exchange control in operation.
Switzerland	Yes; for a few commodities, mainly those under international allocation.	No difficulty in regard to exchange.
Syria and Lebanon	Yes	Yes.
Tangier	No	No.
Turkey	Yes	Yes; special exchange license from the Control Office.
Union of South Africa (including South West Africa, Basutoland, Bechuanaland and Swaziland).	Yes; only for products on prohibited list or under international allocation.	Each importer is subject to quarterly nonsterling exchange quota.
United Kingdom	Yes; except for a few products.[1]	Yes.
Uruguay	Yes; must be obtained	No; import permit carries the right to foreign exchange.
U. S. S. R.	Yes; importing government agencies responsible for securing own permit.	Yes; all exchange allocated by U. S. S. R. State Bank upon receipt of import permit.
Venezuela	No; except for 24 tariff items.[1]	Import permit when required authorizes foreign exchange.
Yugoslavia	Yes	Yes.

[1] American exporters may obtain information regarding the import controls on their products by writing the Areas Division or one of the field offices of the Department of Commerce.
[2] All exchange transactions amounting to more than 20,000 cruzieros require an exchange permit from the Banco do Brazil.
[3] Details of China's import and exchange controls may be obtained from the Far East Branch of the Office of International Trade.
[4] The importer buys his dollar exchange on the basis of the daily free market rate.
[5] Importers must conclude a contract for purchase of exchange with the Bank of Paraguay before purchasing abroad.
[6] A foreign Funds Control Office is established in Manila, but blanket licenses are issued to banks for exchange transactions by bona fide firms.

Source: Prepared in the Areas Division, Office of International Trade, Department of Commerce.

Senator MILLIKIN. To sum up: So far, the reciprocal trade program has not resulted in the abandonment by any country in this world of the things that we claim are the principal hurdles of their trade. Is that right? That is an easy one to answer. Just produce the ones that have abandoned those restrictions.

Mr. THORP. I don't think that would be the only element in such an answer. One has to consider not merely the immediate behavior of countries beset by immediate problems, but their longer range objec-

tives as they may appear. And I do think that, for example, it is exceedingly important that in connection with the agreement among the European countries, in the Organization for European Economic Cooperation, they included as one of their basic propositions that they would work together to lower the barriers of trade not only among themselves, but with other countries.

Now, the distinction that one has to make, I think, is a distinction between emergency actions taken on what we all hope are temporary conditions, and the degree to which these countries, looking ahead, will do their long-range planning, and bend their long-range efforts toward an improved situation in terms of the freer flow and interchange of goods.

Senator MILLIKIN. At our last hearing you supplied us with a list of the bilateral agreements in the world as then existent. There is a large flock of them between Russia and the western countries. There were at that time agreements between Great Britain and some of the Scandinavian countries. Now I understand they are promoting bilateral agreements between the western European countries as a part of the ECA program. Is that correct?

Mr. THORP. I don't know that they are promoting them.

Senator MILLIKIN. Oh, they definitely are supposed to promote them. They are definitely supposed to do that. I do not know that they are either, but I am going to find that out.

Mr. THORP. Bilateral agreements?

Senator MILLIKIN. Agreements between those western countries to throw down their trade barriers, to get their finances in sound condition, to open up the countries to free interchange. You know about that; do you not?

Mr. THORP. Yes.

Senator MILLIKIN. Now, will you give us a list of the agreements along that line that have actually been accomplished?

Mr. THORP. Yes, sir.

Senator MILLIKIN. Do you know of any that have actually been accomplished?

Mr. THORP. Well, there are such new arrangements as that among Belgium, Netherlands, and Luxemburg.

Senator MILLIKIN. Yes. Are they operating?

Mr. THORP. They started before the European recovery program got under way, and they are in part operating under them at the present time.

Senator MILLIKIN. Are not France and Italy, for example, trying to work up an agreement?

Mr. THORP. France and Italy have been negotiating an agreement, but it has not yet gone before the Parliament in either country for consideration.

Senator MILLIKIN. To sum up, then: You will give us the up-to-the-minute information on all of these bilateral agreements or those localized agreements.

Mr. THORP. May I ask, in order to be sure that we provide you with the material that you want: Of course, there are throughout the world at the present time a tremendous number of bilateral agreements for the bartering of goods as between countries.

Senator MILLIKIN. That is right. I want all of those. You have given them to us before. It will be no task. Bring them down to date. Bring us down to date on any bilateral or multilateral agreements that are confined to western Europe. Give us the whole picture of tariff and trade agreements that are not generalized over the whole world. Give us the entire picture.

Mr. BROWN. You want the inclusion of reference to the customs unions in effect?

Senator MILLIKIN. That is right.

One of the purposes of the reciprocal-trade system was to generalize over all of the participating countries all of the benefits in operation.

Mr. THORP. That is right.

Senator MILLIKIN. How is that consistent with what you are talking about in Europe, these bilateral and locally limited agreements?

Mr. THORP. Well, what it does is to put an obligation on these countries that in developing bilateral agreements they will proceed in such a way as not to discriminate.

Senator MILLIKIN. Yes. Now, will you have notations on that list of items that you are going to get up for us, as to those which do generalize their benefits and those which do not.

Mr. BROWN. May I ask a question?

Senator MILLIKIN. Yes; surely.

Mr. BROWN. In the nature of a customs union, of course, it does not generalize the benefit.

Senator MILLIKIN. That is right.

Mr. BROWN. It creates a much larger free-trade area.

Senator MILLIKIN. It would be very interesting to have the complete picture of what is generalized and what is not generalized. Because our primary purpose, in the advancement of the reciprocal-trade program, was to break down all of these local agreements. I think you will find that they have immensely increased, which perhaps we cannot attribute entirely to the reciprocal trade system, but when we think of that also it suggests that we should not make overclaims for the reciprocal trade system.

Senator JOHNSON. Senator, did you ask for a list of the increases?

Senator MILLIKIN. No; I did not; and I will be glad to ask for it right now. Let us have that also.

(The following information was subsequently supplied:)

BILATERAL AGREEMENTS

The general subject of bilateral agreements that affect world trade was dealt with in detail in a memorandum placed in the record of the 1947 hearings of this Committee on the Trade-Agreements System and the Proposed International Trade Organization Charter (exhibit X, beginning on p. 1250, pt. 2 of the hearings). The lists of agreements in that exhibit have been brought up to date so far as possible in the accompanying memorandum.

So far as is known, agreements of this special type do not contain tariff or other provisions comparable to "concessions" as the term is used in connection with the reciprocal trade agreements negotiated by the United States. Therefore, the question of whether the provisions of these special agreements are "generalized" is not applicable. As a rule, these agreements relate to the exchange of specified commodities—sometimes by specified quantities or values, to clearing arrangements, to exchange controls, to import-license restrictions, etc. The bilateral agreements between the United States and the countries receiving aid under the ECA do not contain tariff provisions.

Benelux (Belgium, the Netherlands, and Luxemburg) is the only customs union of significant scope operating in western Europe. Benelux is a contracting party to the General Agreement on Tariffs and Trade and as such is obligated to generalize any tariff concession it may make on imports into Benelux territory, to all other contracting parties to the General Agreement, of which the United States is one. There are no tariffs on imports of goods from one Benelux country into another. A customs union between France and Italy has been studied but has not yet been brought before the legislative bodies of the two countries. France is also a contracting party to the General Agreement and Italy will be negotiating at Annecy in April for the purpose of acceding to the General Agreement.

A. GENERAL STATEMENT ON BILATERAL AGREEMENTS

The term "bilateral agreement" itself has no precise meaning as far as the provisions of the agreement are concerned. Most intergovernmental agreements relating to trade are bilateral, and they may take any one of a number of forms. The following general types may be separately identified and they cover approximately the range of opportunities that are open to governments in making bilateral agreements in relation to trade. Any given bilateral agreement may combine various characteristics of more than one type of agreement.

1. *Commercial treaties.*—These establish the foundations for trade relations.
2. *Trade agreements*, of the type entered into by this Government with other governments. These provide for the reciprocal reduction of trade barriers and establish the general framework within which trade will be conducted.
3. *Clearing agreements.*—These provide for the exchange of goods with a minimum of foreign-exchange transactions. Importers pay their debts in their own national currencies and exporters are paid in their own currencies. Transfer of foreign exchange is thus eliminated.
4. *Payments agreements.*—These are designed to guarantee that the proceeds from the sale by one country to another shall be used to pay for current imports from that country or to settle arrears and other financial claims.
5. *Bulk purchasing.*—Bulk-purchase agreements commit a significant portion of a country's export of a particular commodity for significant future period. The purchase may or may not be at a fixed price.
6. *Compensation agreements.*—Compensation agreements usually provide for establishment of equivalence in trade between the two contracting countries, with some financial settlement required, but involving a minimum of currency exchanged.
7. *Barter agreements.*—These arrange for an exchange of goods for goods, either with no values assigned or with values stated on a common basis so as not to require any arrangement for centralized financial settlement.

This memorandum is not concerned with either commercial treaties or trade agreements of the type concluded under the United States reciprocal trade-agreements program, nor is it concerned with the prewar type of bilateral agreement having to do with financial settlement, growing out of the shortage of currency and not involving a specific transfer of commodities.

Postwar agreements

Most postwar bilateral agreements are a combination of compensation and clearing agreements, with many variations and special arrangements. The most numerous types usually have some or all of the following characteristics:

1. They are intergovernmental and strictly bilateral, but the governments themselves usually do not purchase or supply the commodities involved.
2. They are for short terms, generally about a year.
3. They include lists of specified products; each of the two parties agrees to permit shipments of these products, up to the quantities or values specified, under whatever export-control system it regularly maintains. The agreements usually authorize but do not guarantee the exchange of goods.
4. Settlement for goods exchanged is made through clearing accounts in the respective national banks in order to minimize transfers of currency.

In connection with some of these agreements credits may be extended for a longer period of time than is provided for the exchange of goods themselves.

The following tabulations include all intergovernmental bilateral trade or financial agreements on which information is available. Probably the lists are not complete, however, either as to number of agreements actually in existence, or as to terms of the agreements. Official texts are not always available and in some cases information has been obtainable only from confidential sources.

Why bilateral agreements are made

The typical postwar bilateral agreement is essentially a makeshift designed to meet temporary necessities of countries whose economies have suffered because of the war. Such agreements do not necessarily represent permanent departure from multilateral, competitive trade policies. The governments participating in them usually describe them as undesirable necessities which should be abandoned as soon as conditions permit a return to multilateral trade.

The majority of these agreements are clearly attempts by the countries involved to obtain urgently needed imports when exports and credits are scarce. Countries are not willing to export unless they can be sure of obtaining needed imports in return. The agreements reflect low levels of production in foreign countries and an almost world-wide shortage of United States dollars. Without stable or convertible currencies many countries must lean heavily on two-way commodity exchanges which roughly balance out and which depend on clearing arrangements to facilitate solution of the monetary problem.

Effect on United States trade and trade policy

Few of these bilateral arrangements directly affect the trade of the United States under present conditions. They seldom involve significant quantities of a given commodity as compared with the volume of prewar trade, and seldom have the effect of preempting import markets which the United States exporters are anxious to supply. There is, moreover, a great difference between the volume of trade authorized under these agreements and the amount of trade which actually occurs. In general, the quantities of commodities scheduled in the agreements represent the volume of exports which one country would like to send out and the volume of imports which it would like to have, rather than what it actually can produce for export or can pay for as imports.

While the postwar pattern of bilateral commercial agreements arises from understandable necessities and while few of the agreements directly threaten any injury to United States foreign trade now, their tendency is nevertheless toward restriction of world trade and toward conflict with American economic foreign policy. This Government therefore believes it undesirable for this pattern to continue and to be "frozen" after world shortages of commodities are ended.

The United States Government, therefore, has sought, through the reciprocal trade-agreements program, through participation in the International Monetary Fund and the International Bank for Reconstruction and Development, and through support of the proposed International Trade Organization, to eliminate the conditions under which so many countries have turned to bilateral exclusive trade agreements as the only way out of their dilemma.

B. EUROPEAN BILATERAL AGREEMENTS

Since the end of World War II, intra-European trade has been conducted primarily within the framework of bilateral trade and payments agreements. According to information presently available, at least 213 agreements are in force between European countries, including 79 agreements among countries participating in the Organization for European Economic Cooperation (OEEC), 88 agreements between OEEC countries and countries of eastern Europe, 9 agreements of OEEC countries with Spain, and 37 agreements among countries of eastern Europe.

Although the physical supplies of goods available for trade within Europe have improved considerably since the end of the war, the basic conditions that necessitated the resort to bilateral trade agreements remain in force: (1) Europe as a whole needs to import more goods and services than it can export in return; (2) European currencies, except the Swiss franc and the pound sterling within the sterling area, remain "soft" and not freely convertible into dollars; and (3) even the financially stronger European countries, such as Belgium and Switzerland, must take payment on their exports to Europe in European goods or in "soft" European currencies. As a result, European trade still is characterized by a scheduling of imports and exports by quantity or value during a short-term future period. There is usually clearing of current payments through special accounts that balance, within narrow limits, payments due from and payments due to agreement partners. The essentiality of the goods imported in return for exports and the possibility of paying for imports by means of the country's own exports are the bases of trade negotiations.

It should be noted that scheduled quantities and projected trade values under bilateral agreements are not restrictions on trade but trade targets for the period

specified. Quotas may be increased or a supplementary agreement may be negotiated if trade possibilities improve during the agreement period. The negotiating governments usually agree to issue licenses at least up to the quantities or values specified but do not, as a rule, guarantee their implementation. Even the agreements negotiated by State-trading countries generally must be spelled out by further negotiations on specific prices and delivery dates before target quotas have the force of contracts. In the case of Turkey and the United Kingdom, specific commodity quotas frequently do not appear in the bilateral agreement.

Although generalization is difficult in the wide field of bilateral agreements, certain distinctions may be drawn: (1) Agreements between OEEC countries, as a result of OEEC efforts and ECA assistance, are tending to depart from a strictly bilateral pattern. During 1948, it became apparent that important trade channels in western Europe were becoming blocked by the heavy debtor position of certain countries and the inability of European creditor countries to extend these debtors further credit. Trade was encountering the typical difficulty of bilateralism, which tends to limit trade to the lower level possible between agreement partners. By means of simple clearing through the Bank of International Settlements, a limited number of triangular or quadrilateral offsets were arranged. As a condition for receiving ECA conditional aid allotments, creditor countries in the current year agree to extend drawing rights to their debtors. Drawing rights against the creditor are to result in an excess of creditors' exports over imports obtainable from the debtor, in value at least equal to the amount of the conditional aid. In this way, a rough conversion of soft-currency credits into dollar credits is arranged.

(2) Agreements between OEEC countries and countries in eastern Europe generally have less complicated financial provisions and more limited credit "swings" than intrawestern European agreements. An excess of western European imports from eastern Europe is, however, traditional in intra-European trade. To finance a current import surplus of foodstuffs, fuel, and raw materials from eastern Europe, western European countries generally cannot make payments in gold or dollars. As a result of this situation "investment" agreements have been developed under which an eastern European supplier (especially Poland, the USSR, and Yugoslavia) delivers goods in the current year as orders are placed for machinery and other industrial goods for delivery over 2- to 7-year periods. In some cases, specific percentage down payments are required in the form of exports from the eastern European countries. In some cases, the eastern European partner is to supply specified raw materials needed for the production of the type of goods ordered. It may be noted that investment-type agreements appear also in eastern European trade, with Czechoslovakia most frequently the supplier of goods for long-term delivery.

(3) Agreements between European countries and countries of the Middle and Far East and between European countries and countries of Latin America sometimes differ widely from the continental European pattern. As dollars have become increasingly scarce in Latin America as well as in Europe, Europe's trade with Latin American countries is tending more and more toward a bilateral balancing of imports and exports. This bilateralism, however, is not as yet complete and limited credits and free-exchange payments may be found in European-Latin American trade. In some cases, European "agreements" with non-European areas are not reported in detail and may represent specific deals rather than full-scale government-to-government agreements.

Following are (*a*) a summary of European bilateral agreements, with the various European and non-European areas, and (*b*) a list of the agreement partners and time periods of bilateral agreements reported.

Summary of European bilateral agreements as of Feb. 17, 1949

1. Agreements between OEEC countries:	
(*a*) In western Europe and Scandinavia	21
(*b*) Western Europe and Scandinavia with Austria, Mediterranean OEEC countries, and Iceland	34
(*c*) Western Germany with OEEC countries	11
(*d*) United Kingdom with OEEC countries	13
Total intra-OEEC agreements	79
2. Agreements between OEEC countries and countries of eastern Europe	88

Summary of European bilateral agreements as of Feb. 17, 1949—Continued

3. OEEC countries with Spain	9
Total OEEC countries with non-OEEC countries in Europe	97
Total OEEC agreements in Europe	176
4. Agreements between countries of eastern Europe	37
Total intra-European agreements	213
5. Agreements between continental European countries and countries outside Europe:	
(*a*) OEEC countries with the Middle and Far East	6
(*b*) Eastern Europe with the Middle and Far East	7
(*c*) OEEC countries with Latin America	15
(*d*) Eastern Europe with Latin America	10
(*e*) Spain with Latin America	2
Total European with non-European countries	40
Total Agreements	253

1. *Most recent commercial agreements between OEEC countries:*
(*a*) *Western Europe and Scandinavia.*

Partners	Period	Special provisions
France-Belgium	July 1947–48; prolonged to Oct. 31, 1948	
France-Netherlands	August 1948–49	
France-Norway	June 1948–49	
France-Sweden	November 1947–48; July 1948–1951 payments.	
France-Denmark	November 1948–49, supplemented December.	Danish drawing rights.
France-Switzerland	August 1947–1948, prolonged to Nov. 30, 1948, and again to Feb. 28, 1949.	
Belgium-Netherlands	June 1, 1947–May 31, 1949; revised July 1948.	
Belgium-Norway	January-December 1949	Norwegian drawing rights.
Belgium-Sweden	January-December 1948, May 1945 payments agreement to be terminated Feb. 15, 1949.	
Belgium-Denmark	January-December 1948; supplemented November 1948; 1949 trade partially arranged.	
Belgium-Switzerland	October 1948–49	
Netherlands-Norway	January-December 1948; supplemented May 1948.	
Netherlands-Sweden	January-December 1948; supplemented November 1948; extended to Feb. 28, 1949; payments November 1945–Dec. 31, 1949.	
Netherlands-Denmark	June 1948–49	
Netherlands-Switzerland	July 1948–49; to be prolonged to Sept. 30, 1949.	
Norway-Sweden	January-December 1949	
Norway-Denmark	April 1948–49	
Norway-Switzerland	July 1948–49; 1947–50 payments agreements.	
Sweden-Denmark	February 1948–Jan. 31, 1949; supplemented November 1948.	
Sweden-Switzerland	May 1948–50	
Denmark-Switzerland	January-December 1949	

Total (21).

(b) Western Europe and Scandinavia with Austria, Mediterranean OEEC Countries and Iceland.

Partners	Period	Special provisions
France-Austria	November 1948-49	
France-Portugal	June 1948-49	
France-Italy	April 1948-49, supplement September	
France-Greece	July 1948-49	
France-Turkey	August 1946-47, probably renewed	No quotas.
France-Iceland	July 1947-48, possibly renewed	
Belgium-Austria	June 1948-49	
Belgium-Portugal	April 1948-49	
Belgium-Italy	December 1948-49	
Belgium-Greece	November 1948-49	
Belgium-Turkey	December 1948-June 30, 1949	
Netherlands-Austria	February 1948-49, supplemented December.	
Netherlands-Portugal	July 1948-49	
Netherlands-Italy	March 1948-49, supplemented December	
Netherlands-Iceland	December 1948-49	
Norway-Austria	November 1948-49	
Sweden-Austria	January-December 1949	
Sweden-Portugal	July 1948-49	Do.
Sweden-Italy	December 1948-September 1949	
Sweden-Greece	June 1948-49	
Sweden-Turkey	June 1948-49	
Sweden-Iceland	April 1948-49	
Denmark-Austria	September 1948-49	
Denmark-Portugal	August 1946-47; renewed	
Denmark-Italy	June 1948-49	
Denmark-Turkey	January 1949-Mar. 31, 1950	Do.
Denmark-Iceland	May 1948-49	
Switzerland-Austria	Protocol of Oct. 1, 1946, valid indefinitely unless denounced.	Do.
Switzerland-Italy	October 1948-49	
Switzerland-Greece	April 1948-49	
Portugal-Italy	October 1947-48	
Italy-Greece	April 1947-48, extended to Dec. 31, 1948	
Italy-Turkey	November 1948-June 30, 1949	
Greece-Austria	February 1948-49	

Total (34).

(c) Western Germany with OEEC countries.

Partners	Effective date	Special provisions
Western Germany-France	November 1948-June 1949.	
Western Germany-Belgium	June 1948-June 1949.	
Western Germany-Netherlands	August 1948-1949.	
Western Germany-Norway	July 1948-49.	
Western Germany-Sweden	January-December 1949.	
Western Germany-Denmark	August 1948-49.	
Western Germany-Switzerland	September 1948-1949.	
Western Germany Austria	August 1948-49.	
Western Germany-Italy	September 1948-June 30, 1949.	
Western Germany-Greece	January-December 1948.	
Western Germany-Turkey	December 1948-June 30, 1949.	
Total (11).		

(d) The United Kingdom-Ireland with OEEC countries.

Partners	Period	Special provisions
France-United Kingdom	November 1946, revised 1948	Payments agreement.
Belgium-United Kingdom	January 1948-June 30, 1949, revised January 1949.	
Netherlands-United Kingdom	January-December 1948	
Norway-United Kingdom	January-December 1949; monetary agreement in effect to November 1950.	
Sweden-United Kingdom	January-December 1949	
Denmark-United Kingdom	October 1948-49	
Switzerland-United Kingdom	January-December 1948	
Italy-United Kingdom	January-December 1949	
Greece-United Kingdom	January 1946	Do.
Portugal-United Kingdom	April 1948-49	Do.
Iceland-United Kingdom	January-December 1948	
Ireland-United Kingdom	January-December 1948	
Netherlands-Ireland	July 1948-49	
Total (13).		

2. *Most recent commercial agreements between OEEC countries and countries of eastern Europe*

Partners	Period	Special provisions
France-Finland	May 1948–49, suppl. November 1948	
France-Czechoslovakia	August 1948–49	
France-Hungary	November 1947–48, extended to Apr. 30, 1949.	
France-Rumania	July 1946 to completion	
France-Yugoslavia	May-December 1948	
France-Bulgaria	June 1947–48, presumably continued	
France-Poland	Jan.-Dec. 1949	Investment agreement; March 1948–52.
Belgium-Finland	November 1948–49	
Belgium-Czechoslovakia	March 1948–49	
Belgium-Hungary	April 1947–May 1948	
Belgium-Rumania	September 1948–49	
Belgium-Yugoslavia	do	
Belgium-Bulgaria	April 1947–48	
Belgium-Poland	Nov. 1, 1948–Dec. 31, 1949	
Belgium-U. S. S. R	January–December 1948	(Some Belgian deliveries for 1949.)
Belgium-Soviet zone, Germany	November 1947–48	
Netherlands-Finland	June 1948–49, suppl. September 1948	
Netherlands-Czechoslovakia	January–December 1948, prolonged to March 1949.	
Netherlands-Hungary	January–December 1949	
Netherlands-Rumania	February 1948	Preliminary agreement; Rumanian but not Netherlands deliveries specified.
Netherlands-Yugoslavia	February 1948–51; annual quotas suppl. November 1948.	Investment agreement.
Netherlands-Bulgaria	November 1948–49	
Netherlands-Poland	January–December 1948	1947–49 investment agreement, revised March and July 1948.
Netherlands-U. S. S. R	June 1948–53 (most items for 1 year delivery).	Investment agreement.
Netherlands-Soviet zone, Germany.	June 1948–49	
Norway-Finland	November 1948–49	
Norway-Czechoslovakia	March 1948–49	
Norway-Hungary	November 1947–48	
Norway-Yugoslavia	April 1948–49	
Norway-Poland	January–December 1949	
Norway-U. S. S. R	do	
Norway-Soviet zone, Germany	do	
Sweden-Finland	February 1948–49	
Sweden-Czechoslovakia	November 1947–48	
Sweden-Hungary	October 1948–49	
Sweden-Yugoslavia	April 1948–49	April 1947–54 investment agreement.
Sweden-Bulgaria	October 1947–Dec. 31, 1948	
Sweden-Poland	May 1948–49	March 1947–51 investment agreement.
Sweden-U. S. S. R	January–December 1948	October 1946–51 investment agreement.
Sweden-Soviet zone, Germany	July 1948–49, suppl. December 1948	
Denmark-Finland	January–December 1948; November 1948 suppl. extends and expands agreement to May 1, 1949.	
Denmark-Czechoslovakia	September 1948–49	
Denmark-Hungary	October 1947–48	
Denmark-Yugoslavia	July 1947–48	
Denmark-Bulgaria	May 1947–48	
Denmark-Poland	October 1948–49	
Denmark-U. S. S. R	July 1948–Dec. 31, 1949	
Switzerland-Finland	September 1948–Feb. 28, 1950	
Switzerland-Czechoslovakia	October 1948–49	
Switzerland-Hungary	do	
Switzerland-Rumania	March 1947–50; annual quotas	
Switzerland-Yugoslavia	October 1948–53; annual quotas	Investment agreement.
Switzerland-Bulgaria	January–December 1947	
Switzerland-Poland	January–December 1948; revised June 1948.	Investment orders; delivery to 1952.
Switzerland-U. S. S. R	April 1948–49	Investment orders; delivery to 1951.
Switzerland-Soviet zone, Germany.	July 1947–48	
Austria-Czechoslovakia	August 1948–June 30, 1949	
Austria-Hungary	January–December 1948, supplemented September 1948.	
Austria-Yugoslavia	September 1948–49	
Austria-Bulgaria	October 1948–49	

2. *Most recent commercial agreements between OEEC countries and countries of eastern Europe*—Continued

Partners	Period	Special provisions
Austria-Poland	August 1948–49	
Italy-Czechoslovakia	September 1948–49	
Italy-Hungary	December 1948–49	
Italy-Yugoslavia	November 1947–48	1947–52 investment agreement.
Italy-Bulgaria	November 1948–49	Investment deliveries may be authorized.
Italy-Poland	January-December 1948, revised April 1948; extended to 2 months.	October 1946–50 investment agreement.
Italy-U. S. S. R.	December 1948–49	December 1948–51 investment agreement.
Italy-Soviet zone, Germany	July-December 1947	
Greece-Czechoslovakia	August 1948–49	
Iceland-Finland	July 1948–49	
Iceland-Czechoslovakia	March-December 1948 extended to Feb. 28, 1949.	
Iceland-Poland	July 1948–Dec. 31, 1949	
(Iceland-U. S. S. R.)	(May 1946–47 agreement not renewed in 1948).	
Western Germany-Finland	July-December 1948	
Western Germany-Czechoslovakia.	October 1948–49	
Western Germany-Hungary	August 1948–49	
Western Germany-Yugoslavia	April-September 1948, automatically renewable.	
Western Germany-Bulgaria	October-December 1947, automatically renewable.	
Western Germany-Poland	January-December 1949	
Turkey-Finland	June 1948–49	No quotas scheduled.
Turkey-Czechoslovakia	December 1946–Apr. 1, 1948, automatically renewable to Mar. 31, 1949.	Do.
Turkey-Yugoslavia	September 1947–48	Do.
Turkey-Poland	August 1948–49	Do.
United Kingdom-Finland	January-December 1949	
U. K.-Czechoslovakia	November 1945	Payments only.
U. K.-Hungary	August 1948–49	
U. K.-Yugoslavia	October 1948–49	
U. K.-Poland	January 1949–53, annual quotas	Investment agreement; not all goods have annual quotas.
U. K.-U. S. S. R.	December 1947–51; U. S. S. R. deliveries February–September 1948; U. K. deliveries 1948–51.	Investment agreement.
Total (88).		

3. *Most recent commercial agreements between OEEC countries and Spain.*

Partners	Period	Special provisions
France-Spain	May 1948–49 revised November 1948	
Netherlands-Spain	November 1948–May 1949	
Sweden-Spain	July 1948–49	
Denmark-Spain	March 1948–49	
Switzerland-Spain	December 1947–48, prolonged to Mar. 31, 1949.	
Italy-Spain	July 1948–49	
Bizone-Spain	January-December 1949	
United Kingdom-Spain	June 1948–April 1949 revised December	No quotas.
Ireland-Spain	September 1947–48	
Total (9).		

4. *Most recent commercial agreements between countries of eastern Europe.*

Partners	Period	Special provisions
Finland-Czechoslovakia	October 1948–49	
Finland-Hungary	October 1948–Dec. 31, 1951 (annual quotas).	
Finland-Yugoslavia	October 1948–49	
Finland-Bulgaria	October 1948–51 (annual quotas)	
Finland-Poland	February–Dec. 31, 1949; suppl. December 1948.	
Finland-U. S. S. R.	January–December 1949	
Finland-Soviet zone Germany	October 1948–49	
Czechoslovakia-Hungary	November 1948–Dec. 31, 1949	November 1948–53, agreement in framework.
Czechoslovakia-Rumania	January–December 1949	
Czechoslovakia-Yugoslavia	October 1947–Dec. 31, 1948	Investment agreement, February 1947–Dec. 31, 1951.
Czechoslovakia-Bulgaria	April–Dec. 31, 1948	Investment agreement, April 1947–51.
Czechoslovakia-Poland	July 1948–Dec. 31, 1949	Investment agreement, July 1947–52.
Czechoslovakia-U. S. S. R.	January–December 1949	Investment agreement.
Czechoslovakia - Soviet zone Germany.	July 1948–49	January 1948–52.
Hungary-Rumania	June 1948–49 suppl. September 1948	Investment features.
Hungary-Yugoslavia	July 1947–51; revised March 1948; annual quotas.	Investment agreement.
Hungary-Bulgaria	September 1948–49	
Hungary-Poland	October 1948–Dec. 31, 1949	
Hungary-U. S. S. R.	August 1948–Dec. 31, 1949	Investment agreement 1950–54; Hungarian deliveries.
Hungary-Soviet zone Germany	August 1947–49, July 1948 deal	
Rumania-Yugoslavia	April 1948–49	June 1948, industrial agreement.
Rumania-Bulgaria	May 1948–49	
Rumania-Poland	January–December 1949	September 1948–53, investment agreement outlined.
Rumania-U. S. S. R.	do	Investment features.
Yougoslavia-Bulgaria	January–December 1948	
Yugoslavia-Albania	June 1947–48	
Yugoslavia-Poland	January–December 1949	May 1947–52, investment agreement.
Yugoslavia-U. S. S. R.	do	Previous agreement had investment features.
Bulgaria-Albania	August 1948–December 31, 1949	
Bulgaria-Poland	September 1948–49	May 1948–53, economic collaboration.
Bulgaria-U. S. S. R.	January–December 1949	
Bulgaria-Soviet zone Austria	December 1948—?	
Bulgaria-Soviet zone Germany	September 1948–49	
Albania-U. S. S. R.	August–December 1948	
Poland-Albania	January–December 1949	
Poland-U. S. S. R.	do	1948–53, investment agreement for Soviet capital goods.
Poland-Soviet zone Germany	February 1948–49; supplement September 1948.	
Total (37).		

5. *Agreements between continental European countries and countries outside Europe.*

(*a*) *OEEC countries with the Middle and Far East.*

Partners	Period	Special provisions
France-Egypt	June 10, 1948–49(?)	Payments agreement no quotas.
Sweden-Japan	January–December 1949	No quotas.
Sweden-Australia	May 1, 1948–49	
Switzerland-Egypt	Sept. 27, 1948–Apr. 30, 1949	
Italy-Egypt	August 1948–49(?)	
Western Germany-Egypt	October 1948–49	
Total 6.		

(b) *Eastern Europe with the Middle and Far East.*

Partners	Period	Special provisions
Czechoslovakia-Pakistan	October 1948–49	
Hungary-Palestine (now with Israel) (?)	March 1947–June 30, 1948, automatically renewable.	No quotas.
Yugoslavia-Egypt	June 1947–48	
Yugoslavia-India	July 1948–(?)	Payments agreement.
(Yugoslavia-Pakistan)	(January 1949)	(Draft trade pact.)
Poland-Egypt	September 1947–March 1948; renewed (?).	
U. S. S. R.-Egypt	March 1948–49	Barter agreement: Egyptian cotton versus Soviet grain.
(U. S. S. R.-Iran)	(No quotas established for March 1948–49 under existing agreement).	
U. S. S. R.-Afghanistan	October 1947–(?)	
(U. S. S. R.-China)	(Repayment of 1938–39 loans by 1948–52 deliveries of Chinese goods).	
Total (7).		

(c) *OEEC countries with Latin America.*

Partners	Period	Special provisions
France-Argentina	July 1947–52	
(France-Chile)	(Dec. 15, 1948)	(Modus vivendi.)
France-Uruguay	September 1946, indefinite term	Payments agreement.
Belgium-Argentina	May 1946–48, automatically renewable	Quotas for some products only.
Belgium-Brazil	May 1946; denounced May 1948	Limited clearing arrangement retained.
Belgium-Chile	July 1948–49	Provisional agreement.
Netherlands-Argentina	March 1948–53	Investment agreement.
Netherlands-Brazil	September 1948 valid indefinitely	No quotas.
Netherlands-Uruguay	November 1948–49	Do.
Sweden-Argentina	December 1948–49	Do.
Sweden-Colombia	Nov. 1, 1948–Dec. 31, 1949	
Denmark-Argentina	December 1948–53 (annual quotas)	
Switzerland-Argentina	January 1947–52, revised September 1948.	Quotas for Argentine products only.
Italy-Argentina	October 1947–51 (annual quotas)	Argentine credit to Italy.
Italy-Uruguay	July 1948 revision of February-December 1947 agreement.	Payments agreement, no quotas.
Western Germany-Uruguay	October 1948–49	Quotas for Uruguayan exports only.
Total (15).		

(d) *Between countries of Eastern Europe and Latin America.*

Partners	Period	Special provisions
Finland-Argentina	July 1948–49	Argentine credit.
Czechoslovakia-Argentina	July 1947–51, revised June and November 1948 (annual quotas).	
Czechoslovakia-Brazil	March 1948–49	
(Czechoslovakia-Chile)	(May 1947, valid indefinitely)	(Not yet ratified.)
(Czechoslovakia-Uruguay)	(January 1947 protocol)	(Payments; not yet ratified.)
Czechoslovakia-Venezuela	November 1947 protocol	No quotas.
Czechoslovakia-Mexico	August 1947, indefinite	Payments agreement.
Hungary-Argentina	July 1948–52 revised term December 1948 (annual quotas).	
Rumania-Argentina	October 1947–July 31, 1950 (annual quotas for Argentine goods).	Argentine credit.
Yugoslavia-Argentina	June 1948–Dec. 31, 1951 (annual quotas).	
Yugoslavia-Uruguay	July 1948–?	Payments agreement.
Poland-Argentina	January 1949–December 1951 (annual quotas).	
Total (10).		

(e) *Spain with Latin America*

Partners	Period	Special provisions
Spain-Argentina	October 1946–51, revised April 1948	Argentine loan to Spain; some quotas.
Spain-Bolivia	Feb. 28, 1948–51	
Total (2).		

C. UNITED KINGDOM BILATERAL AGREEMENTS

The principal bilateral agreements in force between the United Kingdom and other countries as of February 21, 1949, are shown on the following lists. They may be generally divided into three classes: (1) Monetary agreements; (2) short-term bilateral trade agreements; and (3) agreements for the bulk purchase of food products by the United Kingdom.

1. *Monetary agreements*

The monetary agreements, generally speaking, contain the following undertakings:

(*a*) Subject to provisions for review, a fixed rate of exchange is established between the pound sterling and the currency of each of the other contracting governments.

(*b*) Each of the parties undertakes to furnish its own currency against the currency of the other party, thus providing the latter with what is, in effect a line of credit for current transactions. Net balances accumulated through the operation of this provision are limited. When the specified amount of the net balance has been reached, further sales of currency are to be paid for in gold.

(*c*) The United Kingdom undertakes to permit the use of sterling at the disposal of residents of the other countries for payments not only in the United Kingdom, but in any other part of the sterling area as well, and for transfers to other residents of the respective countries. A reciprocal undertaking is given by the other party. The contracting governments agree that "as opportunity offers" they will attempt to make balances held by residents of the other contracting country available for payments to residents of "third countries."

(*d*) The parties agree to cooperate to prevent transfers between their areas which "do not serve direct and useful economic or commercial purposes."

(*e*) There is provision for review in the event that the contracting governments adhere to a general international monetary agreement.

2. *Short-term bilateral trade agreements*

Short term bilateral trade agreements have assumed increasing importance and to an increasing extent are being integrated with financial agreements. They are an indispensable short-term expedient to obtain essential imports and to reduce the critical drain of dollars and gold reserves from the United Kingdom and sterling area. The principal objective is to secure as many imports of essential goods as possible with the least possible expenditure of gold and dollars. Less essential imports are kept at a minimum. These agreements are based mainly on precisely balanced bilateral exchanges to avoid the risk of any deficits which might have to be met in hard currency. Therefore the quantities of goods involved are generally predetermined.

The short-run character of these agreements was emphasized by Mr. Harold Wilson, President of Britain's Board of Trade, when he stated that "the whole commercial position of this country has been built upon the supposition that trade would be multilateral and that we should not have to bother whether our trade with each country exactly balanced. If we cannot reestablish that position in the long run, the outlook for us is very serious."

3. *Bulk-purchase agreements*

During the war the United Kingdom entered into a number of long-term contracts with various other governments for the purchase of large quantities of particular commodities, and since the war it has renewed some of these contracts and entered into additional ones. For example, in 1944 it concluded 4-year contracts with New Zealand and Australia for the purchase of meat and dairy products (the contracts for cheese and butter with New Zealand were later extended to 1950) and with Canada for the purchase of meat and cheese. After several years of extensive negotiations, a meat contract with Argentine was concluded in the fall of 1946. Also in 1946 the United Kingdom signed a 4-year

purchase agreement with Canada for wheat, and with Denmark for bacon, eggs, and butter. In general these agreements provide for the purchase by the United Kingdom of exportable surpluses of specified minimum quantities, and for specified minimum prices with provisions for periodic review.

United Kingdom: Principal bilateral financial and economic agreements in force Feb. 21, 1949

I. MONETARY AND OTHER FINANCIAL AND ECONOMIC AGREEMENTS

Agreement with—	Date of signature	Nature of agreement [1]
Argentina	Feb. 12, 1947	Financial, meat purchases, railroads, etc.
Belgium	Oct. 5, 1947; supplement	Monetary.
	Feb. 28, 1948	
	January 1949	Trade and payments.
Brazil	May 21, 1948	Do.
Canada	Mar. 6, 1946	Financial (extension of credit by Canada).
Czechoslovakia	Nov. 1, 1945	Monetary.
	Dec. 15, 1945	Credit.
Denmark	Dec. 6, 1945	Monetary.
	September 1948	Trade.
Egypt	Jan. 5, 1948	Trade and finance.
Eire	July 1948	Do.
Finland	July 1, 1947	Payments.
	January 1948	Trade.
France	Mar. 27, 1945; Apr. 29, 1946	Financial (extension of credit to France); payments and trade.
	Dec. 3, 1948	
Greece	Jan. 24, 1946	Financial and economic (extension of credit to Greece, etc.)
Hungary	August 1948	Trade.
Iceland	April 1948	Do.
Iran	May 26, 1942; supplement	Financial.
	Nov. 6, 1947	
Iraq	Aug. 13, 1947; supplement	Do.
	November 1948	
Italy	For year 1949	Trade.
Netherlands	Sept. 7, 1945; amended, September 1946.	Monetary.
	February 1948	Trade.
Norway	Nov. 8, 1945; supplement	Monetary.
	June 27, 1947	
Peru	Jan. 1, 1948 to Jan. 1, 1950	Trade and finance.
Poland	May 1947	Financial.
	December 1948	Trade.
Portugal	Apr. 16, 1946	Monetary.
	Jan. 9, 1948	Trade and Finance.
Spain	Mar. 28, 1947	Monetary.
	Mar. 31, 1948	Trade and finance.
Sweden	Mar. 6, 1945; supplement	Monetary.
	Nov. 24, 1945	
	Dec. 15, 1948	Trade.
Switzerland	February 1948	Do.
	Mar. 12, 1946	Monetary.
Turkey	February 1948	Trade and finance.
U. S. S. R.	Dec. 27, 1947	Financial and commercial.
United States	Dec. 6, 1945	Loan agreement.
Yugoslavia	Sept. 30, 1948	Trade.

[1] In general, agreements described as monetary agreements provide for fixed rates of exchange, for the sale of currencies up to certain specified limits, and for the use of sterling at the disposal of either party freely throughout the sterling area. Payments agreements provide for the channeling of all payments through special accounts, without fixing exchange rates or providing for sales of currencies by the respective central bank

II. AGREEMENTS OR CONTRACTS FOR THE PURCHASE OF FOOD PRODUCTS BY THE UNITED KINGDOM

Agreement with—	Duration (including contracts renewed)	Extended through—	Products covered
Australia	June 30, 1947, to June 30, 1949	June 30, 1953	Eggs.
	Oct. 1, 1944, to Sept. 30, 1948	Sept. 30, 1950	Meats.
	July 1, 1944, to June 30, 1948	June 30, 1955	Cheese, butter.
	Jan. 1, 1946, to Dec. 31, 1948	Dec. 31, 1953	Dried fruits.
Argentina	4 years from Oct. 1, 1946		Meats.
Canada	Dec. 1, 1943, through 1948 at least	1949	Meats (including bacon).
	4 years from Aug. 1, 1946	July 1950	Wheat.
	Apr. 1, 1944, to Mar. 31, 1947	1949	Cheese.
	Jan. 1, 1944, to Jan. 31, 1949		Eggs.
Denmark	Aug. 1, 1946, to Sept. 30, 1950		Bacon, butter, eggs.
New Zealand	Oct. 1, 1944, to Sept. 30, 1948	Oct. 1, 1955	Meats.
	Aug. 1, 1944, to July 31, 1950	July 31, 1955	Cheese.
	Aug. 1, 1944, to July 31, 1950	July 31, 1955	Butter.
Eire	1944–46	Jan. 31, 1951	Eggs.
Union of South Africa	1947–48	September 1950	Do.
Ceylon	July 1946 to Dec. 31, 1950		Oils and fats.
Kenya, Uganda, and Tanganyika.	Until crop year 1951–52		Coffee.

Contracts are in force for the purchase of the exportable surpluses of sugar from the following countries for 4 years from June 1946:

All parts of the British Empire.
Portuguese Each Africa (Portuguese requirements excepted).
Haiti.
Fiji.
Mauritius.

D. BILATERAL AGREEMENTS BETWEEN LATIN-AMERICAN REPUBLICS

Following is a list of bilateral agreements known to have been negotiated by Latin-American Republics in recent years:

Argentina-Sweden

Signed: November 23, 1948.
Effective: December 1, 1948.
Duration: December 1 , 1953.
Nature: (1) Each party agrees to facilitate the importation of the merchandise of other according to its needs and in value equivalent to purchases of its goods by the other party. (2) All payments to be made in Swedish crowns. (3) Overdraft of 50,000,000 crowns to be allowed either country. (4) Final settlement to be made in sterling.

Argentina-France

Signed: July 23, 1947.
[Effective:]
Duration: 5 years.
Nature and commodities involved.—Agreement provides that France buy from Argentina annually specified quantities of certain products provided that during each year the exportable surplus is not now below a specified amount. If France during 5-year period can buy products more cheaply elsewhere, it is free to do so. Products to be purchased by Government of France from IAPI. Agreement also lists goods to be sold by France to Argentina in minimum specified quantities.

Argentina-Belgium-Luxemburg

Signed: May 14, 1946.
Effective: May 24, 1946. Provisionally, subject to ratification.
Duration: 1 year—financial agreement renewable for 1-year periods by tacit consent, unless abrogated by either party with 3 months' notice. 2 years—Commercial Protocol renewable automatically for 1-year periods, unless denounced 3 months prior to date of expiration.
Nature and commodities involved.—Financial agreement, exchange of notes regarding release of blocked assets, and a commercial protocol.
Financial: Purpose to provide Belgium with an operating credit with which to purchase Argentine goods until such time as Belgian exports reach point sufficient to establish an approximate balance in the payments between the

two countries. Argentina to allow Belgium a maximum unfavorable operating balance of payments in Belgian francs equivalent to 110,000,000 Argentine pesos. Belgian franc established as means of payment between Argentina and Belgian franc area. Payments to be effected through special Belgian franc account known as Argentine Special Account to be opened in favor of Central Bank of Argentine Republic in the National Bank of Belgium. Central Bank will make use of Belgian franc credits in meeting current Argentine payments in Belgian franc area and will not demand liquidation of balance in its favor until franc balance exceeds equivalent of 110,000,000 Argentine pesos.

Blocked assets: Notes exchanged provide that both countries will unblock assets only upon presentation of a certificate issued by the other certifying to the absence of participation in the ownership of the assets on May 10, 1940.

Commercial protocol: Purpose to encourage a commercial interchange between contracting parties until it can be replaced by a commercial treaty. Argentina to facilitate, in greatest measure possible, the granting of export permits for certain specified commodities, principally foodstuffs and animal products, for which Belgium will grant import permits. The quantities of these goods are not stipulated.

Argentina-Ecuador

Signed: August 5, 1946.

Effective: August 5, 1946.

Duration: 3 years.

Nature and commodities involved.—Reciprocal purchase: Argentina to supply Ecuador with up to 10,000 tons of wheat of which up to 5,000 tons to be from 1945–46 crop at 35 pesos per quintal f. o. b. Buenos Aires; 50,000 head of cattle; 30,000 sheep; 10,000 pigs; 7,000 goats; 3,000 horses. Argentine Congress to be requested to exempt Ecuadoran toquilla straw hats from import duty. Ecuadoran fresh fruit to receive most-favored-nation treatment in Argentina.

Ecuador to supply Argentina, annually, up to 6,000 tons good quality rubber beginning January 1, 1947, at a price to be agreed upon for each transaction, but not less than $0.89 (U. S. currency) per kilo f. o. b. port of shipment. Ecuadoran Government to give preference to exports of natural rubber to Argentina, and will not grant for 3 years export permits for rubber to other countries until the Argentine Government has imported the quantity of 6,000 tons of natural rubber per year. Ecuador also to supply annually minimum of 200,000 tons petroleum, 10,000,000 square feet of balsa wood, and 20 tons cinchona bark. Ecuadoran Congress to be requested to reduce import duty on Argentine lard from 0.60 to 0.25 sucre per gross kilo. Argentine fresh fruit to receive most-favored-nation treatment in Ecuador.

Argentina-Egypt

Signed: August 2, 1948.

Nature and commodities involved.—Barter agreement providing for exchange of 30,000 tons of Egyptian rice for Argentine agricultural products.

Argentina-United Kingdom

Signed: February 12, 1948.

Effective: Agreement to go into effect as soon as it is approved by the British and Argentine Governments.

Duration: 1 year.

Nature and commodities involved.—Agreement provides for advance lump-sum payment of 10,000,000 pounds by the United Kingdom as a contribution to the increased cost of production of the goods to be purchased from Argentina. This in effect merely part of the purchase price. Rest of price approximately 100,000,000 pounds and this sum Britain also pays in advance, receiving one-half of 1 percent interest. If British purchases of goods covered by the agreement have not amounted to 100,000,000 pounds by March 31, 1949, Argentina is to reimburse the United Kingdom for the unexpended balance. British purchases from Argentina to include 1,272,000 metric tons of corn, 400,000 long tons of frozen meat, and 20,000 long tons of canned meat. Britain to furnish Argentina petroleum products and coal.

Argentina-Spain

Signed: October 30, 1946.

Effective: October 2, 1946.

Duration: October 2, 1946 to December 31, 1951.

Nature and commodities involved.—Provides for reciprocal purchases: Argentine credits to Spain; preference to merchant marine of both parties in transportation of merchandise involved; and various other matters.

Argentina to supply Spain with 400,000 tons minimum of wheat in 1947 and 300,000 tons minimum in 1948; and with 120,000 tons of corn in 1947 and 100,000 tons in 1948; provided that the exportable surpluses of these items exceed stated figures. Argentina also to supply Spain with stipulated quantities of a number of other agricultural products during the period 1947–51, once its international commitments on these items are fully satisfied.

Either party may buy in other markets if the seller is unable to meet world prices, and imports and exports, insofar as Argentina is concerned, must be made through the Argentine Institute for the Promotion of Trade.

Argentina-Brazil

Signed: November 29, 1946.

Effective: January 1, 1947.

Duration: 5 years.

Nature and commodities involved.—Reciprocal purchases.

Argentina to supply Brazil:

Wheat:—1.200,000 tons annually if exportable surplus is not less than 2,600,000 tons; if it is less Argentina will earmark 45 percent of the available surplus for Brazil. Price to be lowest applied to any third party during preceding month.

Wool: 5,000 metric tons annually.

Casein: 1,000 metric tons annually.

Brazil to supply Argentina:

Truck tires: 5,000 during 1946, 40,000 during 1947.

Automobile tires: 40,000 during 1947. Brazil will supply in 1948–51 such truck and automobile tires as Argentine industry cannot produce.)

Crude rubber: 3,000 tons in last half of 1947, 5.000 tons annually in 1948-51.

Cotton piece goods: 60,000,000 meters in 1947, 80,000.000 meters in 1948, 100,000,000 annually in 1949–51.

And specified quantities of about a dozen other miscellaneous items.

For rubber, wheat, tires, and textiles, purchases of the specified amounts are not obligatory and offers from competitive sources can be considered. If price quotations from other sources are lower than those specified in the agreement, the other party must be given an opportunity to meet the lower price quotations. If the other party is unable or unwilling to meet them, purchaser is free to buy from the cheapest source.

Argentina-Chile

Signed: December 13, 1946.

Duration: 5 years after ratification.

Nature and commodities involved.—Provides for limited free trade between the two countries and for the financing by Argentina of industrial development and public-works construction in Chile.

I. Trade provisions: Reciprocal duty-free and tax-free entry of goods imported for consumption or industrialization. Such duty-free imports will be in amounts sufficient to complete requirements of either country, subject to exportable surpluses in the other country. Each Government will fix periodically the quantity of the respective products which can be imported within a fixed period of time.

Both countries will give preferential attention to the requirements of the other country, as regards each one's exportable surpluses.

Each country shall prepare a list of products originating in the other which shall be excepted from the duty-free entry provision, within 180 days from the day the agreement goes into effect.

II. Financial provisions: Argentina grants a 100,000,000 peso revolving credit to Chile, will invest 300,000,000 pesos in Chilean industries, and will grant a 300,000,000 pesos loan to Chile for public-works construction. These funds to be provided by Argentine Institute for the Promotion of Trade.

An Argentine-Chilean Finance Association, to be established, will assist Chilean enterprises to increase Chile's exports to Argentina, especially of copper, iron, steel, nitrate, coal, wood, and electric power.

All materials, machinery, and implements used in public works and not produced in Chile shall be purchased from the Argentine Institute for the Promotion of Trade, except those which may be purchased more advantageously as to quality, terms or prices, in other market. (This is an escape clause.)

The agreement contains other provisions regarding communications, insurance, motion pictures, etc.

Argentina-Switzerland

Signed: January 20, 1947.

Effective: January 20, 1947, provisionally, pending ratification.

Duration: To December 31, 1951.

Nature and commodities involved.—Provides for reciprocal purchases, most favorable treatment possible with respect to duties, taxes, and administrative procedure in connection with the interchange of products, and various other matters. Applies also to Principality of Liechtenstein by virtue of customs union treaty with Switzerland.

Argentina to supply Switzerland with specified quantities of wheat, corn, barley, oats, an rye, 1947–51.

In addition, once internal demand is satisfied, and existing commitments to other countries met, Argentina will endeavor, whenever possible, to furnish Switzerland with unspecified amounts of meat, butter, lard, tallow, millet, birdseed, wheat flour for fodder, bran, fine bran, bristle, and castor oil.

Switzerland to extend every facility for Argentina to acquire Swiss products, especially industrial machinery and parts: textile machinery; motors, including hydraulic, wind-driven, gas and internal combustion engines; steam boilers; electrical and telecommunication devices; chemicals and pharmaceutical products.

For wheat, corn, barley, oats, and rye, if Switzerland finds other sources of supply with lower prices than those quoted by the Argentine Institute for Trade Promotion, the Institute should be given an opportunity to meet these lower prices. Should it be unable to do so, Switzerland may acquire the products from another source, the quantity thus purchased being deducted from the quota specified in the agreement.

Argentina-Bolivia

Signed: March 8, 1947.

Effective: Upon ratification.

Duration: 5 years.

Nature and commodities involved.—Similar to Argentine-Chilean agreement, but Argentine credits, investments, and loans are less. Provides for limited free trade and for financing by Argentina of industrial development and public-works construction in Bolivia. However, unlike Chilean agreement, Argentine-Bolivian agreement contains a protocol providing for exchange of specified products, including Bolivian minerals and other raw materials, and Argentine foodstuffs, wool, cotton, etc. Bolivia to supply Argentina with annual quantities of tin as available over and above other Bolivian international commitments.

Brazil-United Kingdom

Signed: May 21, 1948.

Nature and commodities involved.—Trade and payments agreement. United Kingdom undertakes to ship to Brazil during 1948 certain quantities of specified products, including petroleum, locomotives, machinery, and iron and steel manufactures, in exchange for specified amounts of Brazilian cotton, hides, coffee, and other foodstuffs and raw materials. All operations between Brazil and scheduled area A (formerly sterling area A) will be liquidated in sterling but Brazil withdraws from the transferable account area.

Brazil-Czechoslovakia

Signed: October 16, 1946.

Effective: November 15, 1946.

Duration: 2 years, after expiration of which continues in effect subject to denunciation at any time by either party with 6 months' notice.

Nature and commodities involved.—Most-favored-nation treaty, financial arrangement providing credits to Czechoslovakia, and protocol for interchange of merchandise between two countries.

The commercial treaty provides for reciprocal most-favored-nation treatment with respect to commerce and maritime navigation.

In the financial agreement Brazil grants a $20,000,000 (United States currency) credit to Czechoslovakia for the purchase of Brazilian products, and the repayment of the credit utilized at the rate of 20 percent annually beginning January 1, 1952. The agreement also provides for the regulation of methods of payment between the two countries, and releases Czechoslovak blocked credits in Brazil amounting to approximately $500,000 (United States currency).

The protocol deals with the interchange of merchandise between the two countries and contains two lists of products specified quantities of which will be exported by each country to the other over a 2-year period.

Brazil-Chile

Signed: December 27, 1946.

Effective: December 27, 1946.

Duration: 6 years. If not denounced 3 months prior to expiration date, agreement will remain in effect for an unlimited time, each party reserving right to denounce at any time thereafter for its termination 1 year later.

Nature and commodities involved.—Brazil to sell and Chile to buy 20,000,000 lineal meters cotton textiles annually, providing equality of prices between Brazilian textiles and those of similar quality offered by other sources. Better offers received by Chilean importers must be communicated to Brazil, which within 5 days must reply as to whether Brazilian exporters can compete. If cannot compete or no reply received, Chile can effect purchases in other market. Preferential treatment in customs, exchange or other matter existing in Chile now or in future to be extended Brazilian textiles so that they will not be less favored than similar textiles from other countries.

Brazil-Paraguay

Signed: January 16, 1947.

Effective: January 16, 1947.

Duration: 6 years. If not denounced 3 months prior to expiration, will remain in effect for indefinite period, each reserving right to denounce for termination 1 year later.

Nature and commodities involved.—Brazil to sell, Paraguay to buy 10,000,000 meters cotton textiles annually so long as Brazilian prices not higher than those of other countries. If Paraguayan importers receive better offers, said offers must be communicated to Brazil which will advise as to whether Brazilian exporters can compete.

Chile-Belgium

Signed: March 26, 1946.

Nature and commodities involved.—Memorandum of agreement recommending projects of a provisional commercial convention, a commercial agreement, and a protocol covering payments. Proposed commercial convention provides for reciprocal general most-favored-nations customs treatment.

Commercial agreements provides for granting of all necessary facilities for increasing trade and especially intensifying commerce in certain products. Lists of Chilean and Belgian Luxemburg products were to be drawn up by a mixed commission within 90 days after the signing of the agreement.

The draft protocol provides that payments relating to the interchange of merchandise between the two countries shall be made in United States currency or in any other currency expressly agreed upon.

Honduras-Nicaragua

Effective: July 8, 1946.

Duration: Further notice.

Nature and commodities involved.—Nicaragua grants duty-free entry for rosin and turpentine; Honduras grants duty-free entry to sesame oil and cottonseed oil.

Uruguay-Belgium-Luxemburg

Signed: June 14, 1946.

Effective: June 14, 1946, provisionally, subject to ratification. Uruguay ratified October 23, 1946.

Duration: 3 years.

Nature and commodities involved.—This commercial agreement prompted by the desire of the respective Governments to resume and increase the exchange of their goods with each other, provides that import and export permits and authorizations for the corresponding exchange will be issued with the greatest facility possible for certain listed products up to a specified value or quantity.

Another provision of the agreement states that in case either country establishes import or export quotas for individual countries on certain products, each is bound to give the other an equitable part of the quota. This share of the quota cannot be less than the prewar part of the trade each received in the particular commodities. Any portion of a quota established for a limited period and not filled before the period expires will be added to the quota for the following period, except when it is decided to the contrary by mutual agreement.

Quotas given to a third country must include sales made by private agreement whether in the form of barter or other agreement.

Both Governments agree to cancel all provision of previous agreements dealing with the balancing of trade between Uruguay and Belgium.

Chile-Peru

Signed: February 6, 1947.

Effective: Not yet ratified.

Nature and commodities involved.—Agreement on cultural, tourist, and commercial relations based on unratified agreement of April 4, 1946. Commercial provisions reportedly include reciprocal tariff concessions.

Colombia-Canada

Signed: February 20, 1946.

Effective: 30 days after exchange of ratifications.

Duration: 2 years with automatic renewal for 1 year unless terminated.

Nature and commodities involved.—Reciprocal trade agreement providing most-favored-nation treatment; nondiscriminatory procedures to govern customs regulations, control foreign exchange, quantitative quotas, etc. (Excepts Empire agreements.)

Colombia-Sweden

Signed: November 6, 1948.

Effective: November 1, 1948.

Duration: December 31, 1949.

Nature and commodities involved.—Trade and payments agreement covering exchange of Colombian coffee and bananas (3,920,000 pesos value) for "essential" requirements of Columbia.

Mexico-Canada

Signed: February 8, 1946.

Effective: February 8, 1946 (provisionally).

Duration: 2 years.

Nature and commodities involved.—Provides for most-favored-nation treatment, no specified products involved.

Mexico-Costa Rica

Signed: February 4, 1946.

Nature and commodities involved.—Provides for most-favored-nation treatment, no specified products involved.

Mexico-Guatemala

Signed: October 12, 1948.

Effective:----------.

Duration: 2 years.

Nature and commodities involved.—Most-favored-nation treatment, no specified products involved.

Nicaragua-Honduras

Effective: July 8, 1946.

Nature and commodities involved.—Exempts from Nicaraguan customs duties imports of Honduran rosin and turpentine; Honduras exempted Nicaraguan sesame and cottonseed oils from duties.

E. Bilateral Agreements in the Far, Middle, and Near East

Bilateral trade agreements in the Far East

Few trade agreements of the type in question are known to exist in the Far East, with the exception of the network of trade and payments agreements concluded by SCAP with other countries.

Japanese trade agreements.—During 1948 the Supreme Commander for the Allied Powers concluded on behalf of Japan a series of trade agreements, most of them to be effective through June or December of 1949. Targets of the expected volume of trade, both as to value and as to types and quantities of commodities to be exchanged are estimated in these agreements. In general, an effort is made to balance the amount of trade between Japan and the signatory nations, although provisions for periodic settling of balances in acceptable currencies are written in. The most important of these is known as the Sterling Agreement, signed in November with the British, to which several members of the Commonwealth adhered (United Kingdom and colonies (except Hong Kong), Australia, New Zealand, India, South Africa. All members of the

sterling area are eligible to join.) In addition, agreements were signed with Sweden, the French Union, Egypt, the Netherlands and Indonesia, and Siam. Under the terms of the larger Sterling Agreement, Pakistan and Burma have signed separate agreements. There remains an "open account" understanding with China, under which China is expected to make up certain amounts of goods still undelivered to Japan in return for Japanese goods that went forward to China nearly 2 years ago. Within the framework of all of these agreements, provision has been made for the passage of goods under private trade auspices as well as under government.

In addition to its "open account" arrangement with SCAP described above, the Chinese Government is understood to be still shipping Chinese commodities to the Union of Soviet Socialist Republics in fulfillment of commitments undertaken in barter agreements entered into with the Soviet Government in 1938-39. The terms of these agreements are confidential.

A supplementary financial agreement between China and Canada was signed on May 28, 1947, supplementing a previous signed agreement under which Canada extended credits to China.

Bilateral agreements in the Middle and Near East

Because of the continuing dollar shortage facing the countries of the Near and Middle East and their difficulty in finding markets for their exportable surpluses, they have had to resort to the use of bilateral agreements. Turkey, Egypt, and Israel, the most important trading countries, have negotiated a number of such agreements during the past year; the other countries in the area have been less active. The principal hindrance to American trade with most of the countries of the area, is the lack of dollar earning power and difficulty in converting their local currency and other foreign exchange into dollars.

Turkey, since the conclusion of World War II, has been the most active of the Near Eastern countries in concluding bilateral agreements. In the early part of this period the agreements providing for trade on a free foreign exchange basis followed the country's policy of renouncing bilateral trade in favor of more liberal commercial transactions. With the growing dollar problem, intensified by the postponement of sterling convertibility and difficulty in finding markets for its goods, Turkey felt obliged to modify this liberal policy and to conclude agreements providing for clearing accounts and in some cases for mutual credits and lists of goods constituting the trade exchange goal. The most recent agreements concluded by Turkey provide for ERP drawing rights as incorporated in the Intra-European Payments and Compensation Agreement. It is believed that Turkey's objective is still the development on multilateral trading as soon as world conditions make it possible.

Egypt has also negotiated several bilateral agreements, clearing as well as barter, and is considering others, particularly in order to ensure markets for cotton which has traditionally provided more than 70 percent of the country's revenue from exports.

Barter agreements and imports against deferred payment have been important factors in the foreign trade of the new state of Israel. Agreements of this kind have been concluded recently with Holland, Sweden, Hungary, Czechoslovakia, Yugoslavia, and Poland. In general, they provide for the supply by Israel of citrus fruits and other products against delivery of essential commodities such as foodstuffs, chemicals, and industrial equipment. In several of the agreements provision is made for the employment of Jewish blocked funds in the countries concerned for the importation of goods into Israel.

Since the war, Egypt and Iraq have concluded yearly financial agreements with the United Kingdom which limit the amount of hard currency, primarily dollars, which can be purchased with sterling. These agreements have made it possible for these countries to spend more dollars than they were currently earning but have the effect of requiring them to spend hard currency for goods not available in easy currency areas. A somewhat similar situation existed until recently in Syria and Lebanon where dollars in excess of the amounts earned were made available by France. This is no longer the case under a new monetary agreement between Lebanon and France which established an independent Lebanese currency outside of the franc block. A somewhat similar agreement has been negotiated between Syria and France but has not yet been ratified.

Principal bilateral agreements in force in the Near and Middle Eastern Areas February 1, 1949

Turkey-Belgium

Effective from December 1948.

Provision for ERP drawing rights in Turkey's favor. Further details not yet available.

Turkey-Czechoslovakia

Effective from December 15, 1946, until March 31, 1949.

No lists of commodities. Clearing account established for effecting payments between two countries. Mutual credit ceilings also established.

Turkey-Denmark

Effective from January 1, 1949, for 15 months but renewable for 1-year periods.

No lists of commodities. Clearing account, expressed in dollars, established for effecting payments between the two countries. Mutual credit ceilings also established with provision for ERP drawing rights in Denmark's favor.

Turkey-Finland

Effective from June 20, 1948, for 1 year but renewable for 1-year periods.

No lists of commodities. Clearing accounts, expressed in dollars, established for effecting payments between two countries. Mutual credit ceilings also established.

Turkey-France

Effective from September 21, 1946, for 1 year but renewable for 1-year periods.

No lists of commodities. Clearing account, established for effecting payments between two countries. Credit ceiling established by Turkey in favor of France. A modus vivendi exchanged at the same time allows for certain exceptions to most-favored-nation treatment.

Turkey-German trizone

Effective from January 1, 1949, to June 30, 1949, but renewable for 1-year periods.

Provides for issuance of import and export permits within limits of the quantities of goods on which the two contracting parties have agreed. Clearing account, expressed in dollars, established for effecting payments between two contracting parties. Mutual credit ceilings also established with provision for ERP drawing rights in favor of the trizone.

Turkey-Italy

Effective from November 15, 1948, until June 30, 1949, but renewable for 1-year periods.

Provides for the issuance of import and export permits within the limits of the quantities of goods on which the two countries have agreed. Clearing account, expressed in dollars, established for effecting payments between two countries. Mutual credit ceilings established with provision for ERP drawing rights in Turkey's favor.

Turkey-Poland

Effective from August 1, 1948, for 1 year but renewable for 1-year periods.

Lists of commodities but no quantities indicated. Clearing accounts, expressed in dollars, established for effecting payments between two countries. Mutual credit ceilings also established.

Turkey-Sweden

Effective from June 15, 1948, for 1 year but renewable for 1-year periods.

No commodity quotas nor global values established. Private compensation transactions permitted. Clearing account, expressed in Swedish crowns, established for effecting payments between the two countries.

Turkey-Switzerland

Effective from October 1, 1945, until August 21, 1946, but renewable for 1-year periods.

Establishes clearing accounts for effecting payments between the two countries. This agreement replaces an earlier compensation agreement.

Turkey-United Kingdom

Effective from May 21, 1945, until April 30, 1946, but renewable for 1-year periods.

All payments between the two countries to be made in sterling through Turkish accounts held by Turkish Central Bank in the Bank of England. Recent provision made for ERP drawing rights in Turkey's favor.

Turkey-Yugoslavia

Effective from October 20, 1947, for 1 year but renewable for 1 year periods. No lists of commodities. Payment on the basis of free foreign exchange.

Egypt-France

Effective from June 9, 1948, for 1 year but renewable for 1-year periods. No lists of commodities. Clearing accounts established for effecting payments between Egypt and the Franc zone. Mutual credit ceilings also established.

Egypt-U. S. S. R.

Barter agreement dated March 3, 1948, provides for exchange of 216,000 metric tons of wheat and 19,000 metric tons of corn by Russia for 38,000 metric tons of cotton.

Egypt-Switzerland

Effective from September 1, 1948, until May 1, 1949.

Established export quotas for certain essential Swiss products as well as Egyptian import quotas for certain Swiss products previously excluded as being nonessential.

Egypt-United Kingdom

Effective through 1948. (New agreement now being negotiated). $25,000,000 in dollars allocated to Egypt and £35,000,000 released from blocked to current sterling account. Egypt to maintain import-export licensing system for trade with hard currency areas.

Iran-Saudi Arabia

Provides for payment to Saudi Arabia of tolls for Iranian pilgrims to Mecca. Eighty percent of the toll of 45 pounds sterling per pilgrim to be paid in merchandise, chiefly textiles and rice. Date and exact terms unknown.

Iraq-United Kingdom

Effective from June 30, 1948, until June 30, 1949. The equivalent of $22,000,000 allotted to Iraq in hard currencies. Provides that Iraq shall maintain an export-import licensing system for trade with the hard-currency area.

Senator MILLIKIN. Is this correct: That we are now one of the lowest tariff countries in the world?

Mr. BROWN. It depends on how you figure it.

Senator MILLIKIN. Figure it your own way.

Mr. BROWN. You could figure the tariff any way you want to.

Senator MILLIKIN. Let us take it in two ways. We have an average, as I understand it, of an 8 percent ad valorem duty, counting our free list.

Mr. BROWN. Yes, sir.

Senator MILLIKIN. We have an average of about 14 percent, counting our nonfree list.

Mr. BROWN. A little higher, but is in that area, yes.

Senator MILLIKIN. All right; 14 or 15 percent. What countries, taking the same method, have lower tariffs?

Mr. BROWN. I don't know. I would have to check that. But the significance of the tariff is not necessarily dependent on an average.

Senator MILLIKIN. I do not want you to weigh the reason for my question. All I want to know is what countries have a lower tariff than we have under the categories which we have suggested.

Mr. BROWN. I wanted to be sure I gave you what you wanted, sir.

The CHAIRMAN. Could you supply that?

Mr. BROWN. Yes, sir.

(The following information was subsequently supplied:)

RELATIONSHIP OF CUSTOMS RECEIPTS TO TOTAL VALUE OF IMPORTS

Available data indicate that, on the basis of 1939 figures (or those for the nearest available year) there were at least 11 countries in which customs receipts, in proportion to value of total imports, were lower than the corresponding figure for the United States. Not all countries report, on the same

basis, the amount of customs duties which they collect, nor do they report such collections on the same time basis as the basis for reporting import figures. Therefore, the figures in the following lists must not be considered as completely comparable.

	Customs receipts as percentage of value of total imports		*Customs receipts as percentage of value of total imports*
United States	14.4	Rumania	7.6
Canada	13.8	Belgium	7.4
Italy	13.2	Denmark	7.4
Union of South Africa	13.0	Czechoslovakia	[2] 6.9
Norway	9.9	Netherlands	6.7
Poland	[1] 11.7	Japan	6.0

[1] Year 1938.
[2] Year 1937.

Postwar foreign data on this ratio are available from only a few countries. Such data, furthermore, lack uniformity and comparability in such matters as inclusion in "customs receeipts" of various "crisis" and other taxes on imported products, and inclusion of UNRRA and similar goods as "imports."

In general, rising price levels since the war, trade-agreement tariff reductions by the United States and other countries, and other factors have tended to reduce the ratio all along the line, since 1939.

Such figures for 1946 as it has been possible to obtain show the following percentages:

	Customs receipts as percentage of value of total imports		*Customs receipts as percentage of value of total imports*
United States	10.0	Mexico	9.0
Norway	9.9	Switzerland	7.3
Canada	9.3	Denmark	5.0

It will be noted that the percentages for Mexico and Switzerland are below the figure for the United States, whereas in 1939 they were higher than that for the United States.

Senator MILLIKIN. Now, then, as to those countries, if you find any that have lower ones, you will also find import quotas, special export and import licenses. On top of the tariff, you will find a whole system of restraints on trade, which we do not have except in a couple of instances. Right?

Mr. BROWN. Yes, sir. That is correct. And the reason for that, of course, is that they are suffering from the aftermath of the war. They don't have the foreign exchange with which to allow their citizens to purchase freely; and we do.

Senator MILLIKIN. So that what you are telling us about is something that is not a reciprocal system but something which, under the extraordinary circumstances which you have described, is an entirely one-way system.

Mr. BROWN. There is a difference in income of the two.

Senator MILLIKIN. I have a tabulation here which purports to be from the Statistical Division of the Tariff Commission.

Under the Payne-Aldrich law, on the ad valorem basis, the dutiable percent was 40.8; the free and dutiable was 9.3. Under the Underwood law, the dutiable percent was 27; the free and dutiable was 9.1. Under the Ford-Macomber law, the dutiable percent was 38.5; the free and dutiable was 14. Under the Hawley-Smoot law, under which we are now operating, the dutiable percent is 13.7, which is substantially lower than the lowest tariff we ever had, the Underwood; and 5.7 on the free and dutiable, which is substantially lower than that same category under any other law.

Is it not about clear that one more jump and we are in complete free trade?

Mr. THORP. Of course, it is certainly true that under the operation of the Reciprocal Trade Agreements Act the tariffs have been lowered very considerably.

Senator MILLIKIN. And what is the relation of our imports today, under these low tariffs, to our imports under the high tariffs of the past days? We had very substantial imports in the twenties, for example, did we not?

Mr. THORP. Yes.

Senator MILLIKIN. Can you give us a figure on that right now?

Mr. THORP. The average of general imports from 1921 to 1925 was $3,450,000,000, and from 1926 to 1930 it was slightly over $4,000,000,000.

Senator MILLIKIN. Yes. According to this statistical table from which I was reading, from 1923 to 1930 we had an average annually of $4,023,570,000. Under the Hawley-Smoot law, I do not know what that percentage would figure, but I am inclined to believe it would figure considerably less even giving weighting for the 6 billions of imports of 1948. Have you got that figure? How big have your imports been under the Hawley-Smoot law, as amended by the Reciprocal Trade Act?

Mr. THORP. Well, the 1948 imports were $6,900,000,000 estimated.

Senator MILLIKIN. For 1947, $5,644,000,000? Right?

Mr. THORP. That is not exactly my figure. Mine is $5,739,000,000.

Senator MILLIKIN. Now let us run down the list rapidly. Let us start with 1930. That is $1,408,000,000; is that right? And 1931, $2,088,000,000?

Mr. THORP. May I just check that 1930 figure? Because my figure is $3,000,000,000, or slightly over, for 1930.

Senator MILLIKIN. My figure is $1,408,000,000. We might try to resolve those figures.

Mr. THORP. I would have thought it would have fallen between the 1929 and 1931 figures.

Senator MILLIKIN. In 1931, it was $2,088,000,000. In 1932 it was $1,325,000,000. In 1933 it was $1,433,000,000. In 1934 it was $1,636,000,000. In 1935 it was $2,038,000,000. In 1936 it was $2,423,000,000. In 1937, it was $3,900,000,000. In 1938, it was $1,949,000,000. In 1939, it was $2,276,000,000. In 1940 it was $2,540,000,000. In 1941, it was $3,221,000,000. In 1942 it was $2,769,000,000. In 1943, it was $3,389,000,000. In 1944 it was $3,877,000,000. In 1945, it was $4,086,000,000. In 1946 it was $4,817,000,000. In 1947, it was $5,644,000,000. In 1948, which I think is an estimate, it was $6,332,000,000.

I mention that only to make the point that our imports, under these higher tariff laws, as I think you will find in the twenties, probably have a greater average than you have found under the operation of your reciprocal trade system.

In other words, this great objective of increasing imports has not materialized. And you have given some of the reasons why they have not materialized.

Now, Mr. Thorp, in your statement to the House, you said that ITO would be over here soon. When will it be here?

Mr. THORP. It is in the President's hands. I understand it will come over within several weeks.

Senator MILLIKIN. Within several weeks?

Mr. THORP. Yes, sir.

Senator MILLIKIN. There are no "if's," "but's," or "maybe's" about that?

Mr. THORP. I am not in a position to make any promises with respect to it. All I can say is that that is my understanding.

Senator MILLIKIN. The State Department expects it will be over here in a couple of weeks?

Mr. THORP. Within several weeks.

Senator MILLIIN. You recognize the relationship between the reciprocal trade system as it is now developed, and the proposed ITO?

Mr. THORP. They are both related to the same basic economic policy; yes, sir.

Senator MILLIKIN. A considerable part of ITO is now in your reciprocal trade system, is it not?

That admits of very ready answer, Mr. Thorp.

Mr. THORP. No. The part of ITO which relates to commercial policy very naturally is built on our experience in the field of commercial policy.

Senator MILLIKIN. The question which I asked you: Our reciprocal trade system as now influenced by the Geneva multilateral agreement includes a considerable part of the provisions of the proposed ITO.

Mr. THORP. Yes, sir.

Senator MILLIKIN. Therefore, there is a very close relationship between the two things.

Mr. THORP. Well, that depends on what you mean by relationship. The reciprocal trade agreements program is something which has been going on for years, and stands on its own feet as a program.

Senator MILLIKIN. Yes. But the provisions of ITO which you have incorporated into your Geneva agreement have not been going along for a number of years. Is that correct?

Mr. THORP. There have been provisions which have related to the same general problems, of quotas and nontariff controls. And with what has happened in the development of commercial policy, it would seem to me extraordinary if one expression of it was quite different from the expression of it at another point.

Senator MILLIKIN. Let me come back to the original question. You have incorporated now into your reciprocal trade system a considerable part of your proposed ITO charter. Right?

Mr. THORP. I would prefer to have it stated the other way around: that the proposal for the ITO takes over a considerable part of what we have developed in connection with the reciprocal-trade system.

Senator MILLIKIN. Ah, but Mr. Thorp, all of the testimony in connection with the multilateral trade agreement, and all the language of it, shows that ITO is the thing that you are aiming at, and that ITO, you hope, will absorb the provisions in your Geneva multilateral agreements. Correct?

Mr. THORP. That is correct.

Senator MILLIKIN. Yes, that is correct. So you have just put the tail of the dog at the head.

Mr. THORP. No, sir. What I said was that the provisions in the ITO represent a development from the reciprocal trade agreements program, rather than the suggestion that the ITO is defining the reciprocal trade agreements program.

Senator MILLIKIN. Yes. The ultimate purpose is to have ITO supersede your Geneva multilateral agreements themselves, by express language. And if that does not come about, there are escapes to those who have joined your Geneva multilateral agreement. Is that not correct?

Mr. THORP. Yes.

Senator MILLIKIN. So that you do intend that ITO will absorb these provisions of your reciprocal-trade agreements.

Mr. THORP. Yes, it stems out of the reciprocal-trade agreements.

Senator MILLIKIN. Why did you not get ITO over here in time so that we could consider them both together?

Mr. THORP. We have not felt that the problem that we brought here with respect to the reciprocal-trade-agreements program involved any decision with respect to the ITO. The problem that we brought here was a procedural problem on the reciprocal-trade-agreements program.

Senator MILLIKIN. But the question of extension, the question of how long certainly has relevancy to the way you are operating under the existing system. The way you are operating under the existing system includes the incorporation of a part of ITO into your reciprocal-trade agreements. Correct?

Mr. THORP. There isn't any ITO incorporated in at the present time, it is incorporation in the other direction. But actually, the reciprocal-trade-agreements program is a program which we feel can stand on its own feet and should stand on its own feet. And the ITO problem will come before the Congress and needs to be studied separately, and to the extent to which it is appropriate to do so, it may take over and absorb some of the reciprocal-trade-agreements program.

Senator MILLIKIN. Mr. Thorp, under the language of your Geneva agreement, it is very clear that it is not to stand on its own feet. It is to be absorbed into ITO. Do you want me to demonstrate?

Mr. THORP. No, I did not realize that I had said it wasn't to be. What I was talking was the reciprocal-trade-agreements program as a legally authorized program.

Senator MILLIKIN. There is such a close relationship, as you know, that we had a hearing on it here, and spent several weeks exploring the relationship between the two things.

Now, Mr. Chairman, I would like to get more information on when ITO is coming over here; and upon that information will depend the possible further right of examination of Mr. Thorp. So I respectfully request that Mr. Thorp be requested to hold himself available against further examination of the ITO provisions in our reciprocal-trade-agreement program.

The CHAIRMAN. Mr. Thorp will do so, because Senator Lucas wished to ask certain questions at some subsequent period of time during the hearings.

Senator MILLIKIN. I doubt whether we could get at it, Mr. Chairman, until after the scheduled witnesses. That would be quite lengthy.

The CHAIRMAN. Probably so.

Senator MILLIKIN. If we cannot have ITO over here before us, we will examine that part of ITO which is in your reciprocal trade agreement.

Now, it is going to be one way or another. And I respectfully suggest that the State Department has not been acting in entire good faith as far as the presentation of ITO is concerned.

I respectfully suggest that you have been trying to wiggle your way into a part of ITO by using the ITO provisions in the reciprocal trade agreements as a sort of "head of the camel in the tent."

Mr. THORP. Mr. Senator, I am sorry that you put this interpretation on the situation, because it is not a correct interpretation.

Senator MILLIKIN. How long have you had ITO?

Mr. THORP. We have had ITO for many months.

Senator MILLIKIN. Yes. How many months? How long have you had ITO?

Mr. BROWN. Since March 1948.

Senator MILLIKIN. March 1948. Under your own claims, an agreement of enormous significance to world trade; under the terms of your Geneva agreement, the closest connection between ITO and what you have been doing at Geneva. And yet since March of 1948 you have held back the master agreement into which you hoped to merge a part of the reciprocal trade agreements.

I do not think that I would have much difficulty in showing that you have been using ITO as sort of a tactical maneuver point. And if that is the way you want to play it, there are off-sets to that. You have been treated very well here in connection with ITO, and I do not think you have treated the Congress fairly in withholding ITO all of this time.

Mr. THORP. May I explain that the situation as of March a year ago was one in which a Congress was in session which was extremely busy and which was not going to continue in session for many months; and at that time we did consider whether it would be appropriate to send this immediately into the Congress, and we made the judgment that this was sufficiently important, and sufficiently complicated, as you well know, that it would not be wise and helpful to the Congress to submit it at that time. The decision was made to submit it to this Congress. And it will come to this Congress within a few weeks.

Senator MILLIKIN. Let me remind you of something. The reason we restricted the extension last year to 1 year is because the Congress recognized that the two were inseparable, and that ITO would be before us; so we could consider the both of them together before the expiration of the year. And you come in here with this hurry-up act on reciprocal trade, but you are holding back on ITO.

Mr. THORP. I have difficulty with the concept of their being inseparable. If there were no ITO, I would be here with exactly the same request as I am here with today.

Senator MILLIKIN. But there is an ITO and the reciprocal trade agreement that you have made at Geneva contemplates the merger of the general provisions into the ITO. Do you have difficulty in seeing the connection between the two?

Mr. THORP. I didn't say in terms of the connection, but in terms of the necessity for the proposal which is now before the Congress being considered at the same time. You do have to consider the ITO.

Senator MILLIKIN. Well, Mr. Thorp, supposing that a considerable part of Congress concluded that you misused your powers in including these ITO provisions in your reciprocal trade agreements? Would that not have relevant bearing on what the extension should be and the terms of the extension? You do not have any thought in your mind that ITO will be unanimously accepted around here.

Mr. THORP. I am afraid not.

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Senator MILLIKIN. No. You are dead right. And yet you have incorporated a very important part of it in your Geneva agreements, which becomes a part of your reciprocal-trade system. And you are telling me that you do not see any connection between that and the extension of this system, or the terms of the extension.

Mr. THORP. It is not the incorporation in this agreement of the ITO as such. This is a part of ITO which stems from the same experience and background.

Senator MILLIKIN. Mr. Thorp, please go back and read our hearings, which were devoted to the relation of these two subjects, in which it was freely confessed that there would be importations out of ITO into the reciprocal-trade system. It is all in the record. That is why we had the hearing. You were treated courteously, and you were treated in good faith. And I suggest again that you have not been acting in good faith since then.

The CHAIRMAN. Are there any further questions, Senator?

Senator MILLIKIN. No; except that I want to get at Mr. Thorp again, pending my inquiries as to when ITO will be over here.

The CHAIRMAN. We will be obliged, Mr. Thorp, to ask you to come back, because some of the other Senators have some questions.

The committee will recess until 2:30, if that is agreeable with the committee.

Mr. THORP. Do you want me at 2:30?

Senator MILLIKIN. Yes, sir.

The CHAIRMAN. We will recess at this time until 2:30.

(Thereupon, at 12:40 p. m., the hearing was recessed to reconvene at 2:30 p. m. of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 2:30 p. m.)

The CHAIRMAN. We will come to order.

Mr. Thorp, are you prepared to make an explanation of the bill itself, just as it stands? Some of the other members of the committee have not come in yet, and perhaps we might do that now. It is not a very long bill.

STATEMENT OF HON. WILLARD L. THORP, ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS, DEPARTMENT OF STATE, ACCOMPANIED BY WINTHROP G. BROWN, DIRECTOR OF THE OFFICE OF INTERNATIONAL TRADE POLICY, DEPARTMENT OF STATE

Mr. THORP. In order to make sure that it is correct and in full detail, I think Mr. Brown could do it more accurately.

The CHAIRMAN. We will switch, then, to Mr. Brown, and if you will, we will make an explanation of this bill, just as it came from the House.

Mr. BROWN. Section 1 is the title. Section 2 repeals the Trade Agreement Extension Act of 1948. Section 3 extends the period under which the President would be authorized to negotiate trade agreements from June 12, 1948, until June 12, 1951.

Section 4 deletes from the preamble of Section 350 of the Tariff Act of 1930, a parenthetical phrase which is obsolete and no longer applies to conditions of today.

Section 5 changes the reference in section 350 to the War and Navy Departments, to the National Military Establishment, to reflect the unification which took place last year.

The CHAIRMAN. Is the Department of Labor mentioned?

Mr. BROWN. No, sir. As a matter of administrative practice and by Executive order, Labor is however included.

The CHAIRMAN. The Secretary of Labor has made the suggestion, in a letter which I put in the record here and asked that it go at the end of the day's proceedings, a suggestion that Labor ought to be named specifically in the act. Do you know whether he made that suggestion in the House?

Mr. BROWN. Yes, sir, that was also included in his letter to Mr. Doughton.

The CHAIRMAN. You may proceed.

Mr. BROWN. Section 6 is a technical paragraph which has the effect of permitting the President to proclaim some negotiated increases in rates of duty, under certain circumstances, where he would not be able to do it now. The reason for that is that the present statute says that no rate of duty may be increased or decreased more than 50 percent from the level applying on the 1st of January 1945. Also, we have agreements with other countries that none of us will increase the absolute margin of preferences above present levels.

Now, if you take those two limitations together, it has proved impossible in at least two cases already for the President to proclaim an increase in the United States rate of duty which was negotiated with another country, because you could not raise the Cuban rate more than 50 percent.

This is intended to permit that to be done. It gives no authority to reduce the duty any more than below the 50 percent, but it does enable increases in certain cases, which could not take place now.

The CHAIRMAN. It works up but not down?

Mr. BROWN. That is right.

The CHAIRMAN. All right, sir.

Senator MILLIKIN. May I ask a question, Mr. Chairman?

Under the proposed law, what is your range of negotiation?

Mr. BROWN. The same as it was under last year's law, sir; 50 percent.

Senator MILLIKIN. There is no new base?

Mr. BROWN. That is right.

Senator MILLIKIN. It is exactly the same base?

Mr. BROWN. Yes, sir.

Senator MILLIKIN. Up and down from the same base as we had in last year's act?

Mr. BROWN. Yes, sir.

Senator MILLIKIN. May I make a request, Mr. Chairman. In connection with the examination which may come on the ITO provisions in the reciprocal trade agreements, I would like to ask that we have a comparative chart gotten up that will show the provisions in ITO and the related provisions in your Geneva agreement. It is just a scissors and pasting job.

The CHAIRMAN. You can do that, can you?

Mr. THORP. Yes, sir; we can.

THE GENERAL AGREEMENT ON TARIFFS AND TRADE AND PARALLEL PROVISIONS OF THE HABANA CHARTER FOR AN INTERNATIONAL TRADE ORGANIZATION

There follows a comparison between the complete text of the General Agreement on Tariffs and Trade (GATT) (showing amendments in force for the United States as from January 1, 1949) and the identical or similar portions of the text of the Habana Charter for an International Trade Organization (ITO).

GATT is being applied provisionally by the 23 countries which negotiated it, in accordance with the protocol of provisional application of the agreement which provides that part II of the agreement (arts. III to XXIII, inclusive) shall be applied to the fullest extent not inconsistent with existing legislation. Under the protocol any government is free to withdraw its provisional application on the expiration of 60 days from the day on which written notice of such withdrawal is received by the Secretary-General of the United Nations. The Charter for the International Trade Organization is not in effect.

In the comparison which follows the complete text of the GATT is shown, but only parallel provisions of the ITO Charter are reproduced opposite the GATT provisions. The ITO Charter contains also the following chapters and articles not corresponding to any provisions of GATT and not shown in the comparison below:

Chapter I. Purpose and objectives, one article.

Chapter II. Employment and economic activity, six articles.

Chapter III. Economic development and reconstruction, six articles in addition to articles 13 and 14, reproduced herein.

Chapter V. Restrictive business practices, nine articles.

Chapter VII. The International Trade Organization, 20 articles in addition to article 21, reproduced herein.

Chapter IX. General provisions, two articles in addition to those shown.

Annex E. List of Portuguese territories referred to in paragraph 2 (b) of article 16.

Annex H. List of territories covered by preferential arrangements among Colombia, Ecuador, and Venezuela referred to in paragraph 2 (e) of article 16.

Annex I. List of territories covered by preferential arrangements among the republics of Central America referred to in paragraph 2 (e) of article 16.

Annex J. List of territories covered by preferential arrangements between Argentina and neighboring countries referred to in paragraph 2 (e) of article 16.

Annex L. Relating to article 78.

NOTE.—In the following comparison, the provisions of annex I of GATT and relevant portions of annex P of the ITO Charter are shown following the articles to which the provisions relate.

GENERAL AGREEMENT ON TARIFFS AND TRADE	ITO CHARTER
The Governments of the Commonwealth of Australia, the Kingdom of Belgium, the United States of Brazil, Burma, Canada, Ceylon, the Republic of Chile, the Republic of China, the Republic of Cuba, the Czechoslovak Republic, the French Republic, India, Lebanon, the Grand Duchy of Luxemburg, the Kingdom of the Netherlands, New Zealand, the Kingdom of Norway, Pakistan, Southern Rhodesia, Syria, the Union of South Africa, the United Kingdom of Great Britain and Northern Ireland, and the United States of America:	
Recognizing that their relations in the field of trade and economic endeavor should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods;	
Being desirous of contributing to	

GENERAL AGREEMENT ON TARIFFS AND TRADE

these objectives by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce;

Have through their Representatives agreed as follows:

PART I

ARTICLE I. GENERAL MOST-FAVOURED-NATION TREATMENT

1. With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation, and with respect to all matters referred to in paragraphs 1 and 2 of Article III, any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties.

2. The provisions of paragraph 1 of this Article shall not require the elimination of any preferences in respect of import duties or charges which do not exceed the levels provided for in paragraph 3 of this Article and which fall within the following descriptions:

(*a*) preferences in force exclusively between two or more of the territories listed in Annex A, subject to the conditions set forth therein;

(*b*) preferences in force exclusively between two or more territories which on July 1, 1939, were connected by common sovereignty or relations of protection or suzerainty and which are listed in Annexes B, C and D, subject to the conditions set forth therein;

(*c*) preferences in force exclusively between the United States of America and the Republic of Cuba;

(*d*) preferences in force exclusively between neighbouring countries listed in Annexes E and F.

ITO CHARTER

ARTICLE 16. GENERAL MOST-FAVOURED-NATION TREATMENT

1. With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation, and with respect to all matters within the scope of paragraphs 2 and 4 of Article 18, any advantage, favour, privilege or immunity granted by any Member to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in our destined for all other Member countries.

2. The provisions of paragraph 1 shall not require the elimination, except as provided in Article 17, of any preferences in respect of import duties or charges which do not exceed the margins provided for in paragraph 4 and which fall within the following descriptions:

(*a*) preferences in force exclusively between two or more of the territories listed in Annex A, subject to the conditions set therein;

(*b*) preferences in force exclusively between two or more territories which on July 1, 1939 were connected by common sovereignty or relations of protection or suzerainty and which are listed in Annexes B, C, D and E;

(*c*) preferences in force exclusively between the United States of America and the Republic of Cuba;

(*d*) preferences in force exclusively between the Republic of the Philippines and the United States of America, including the dependent territories of the latter;

(*e*) preferences in force exclusively between neighbouring countries listed in Annexes F, G, H, I and J.

GENERAL AGREEMENT ON TARIFFS AND TRADE

3. The margin of preference on any product in respect of which a preference is permitted under paragraph 2 of this Article but is not specifically set forth as a maximum margin of preference in the appropriate Schedule annexed to this Agreement shall not exceed

(*a*) in respect of duties or charges on any product described in such Schedule, the difference between the most-favoured-nation and preferential rates provided for therein; if no preferential rate is provided for, the preferential rate shall for the purposes of this paragraph be taken to be that in force on April 10, 1947, and, if no most-favoured-nation rate is provided for, the margin shall not exceed the difference between the most-favoured-nation and preferential rates existing on April 10, 1947;

(*b*) in respect of duties or charges on any product not described in the appropriate Schedule, the difference between the most-favoured-nation and preferential rates existing on April 10, 1947.

In the case of the contracting parties named in Annex G, the date of April 10, 1947, referred to in subparagraphs (a) and (b) of this paragraph shall be replaced by the respective dates set forth in that Annex.

ITO CHARTER

3. The provisions of paragraph 1 shall not apply to preferences between the countries formerly a part of the Ottoman Empire and detached from it on July 24, 1923, provided such preferences fulfil the applicable requirements of Article 15.

4. The margin of preference on any product in respect of which a preference is permitted under paragraph 2 shall not exceed (*a*) the maximum margin provided for under the General Agreement on Tariffs and Trade or any subsequent operative agreement resulting from negotiations under Article 17, or (*b*) if not provided for under such agreements, the margin existing either on April 10, 1947, or on any earlier date established for a Member as a basis for negotiating the General Agreement on Tariffs and Trade, at the option of such Member.

5. The imposition of a margin of tariff preference not in excess of the amount necessary to compensate for the elimination of a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories in respect of which preferential import duties or charges are permitted under paragraph 2, shall not be deemed to be contrary to the provisions of this Article, it being understood that any such margin of tariff preference shall be subject to the provisions of Article 17.

GENERAL AGREEMENT ON TARIFFS AND TRADE

AD ARTICLE I

Paragraph 1

The obligations incorporated in paragraph 1 of Article I by reference to paragraphs 1 and 2 of Article III and those incorporated in paragraph 2 (b) of Article II by reference to Article VI shall be considered as falling within Part II for the purposes of the Protocol of Provisional Application.

Paragraph 3

The term "margin of preference" means the absolute difference between the most-favoured-nation rate of duty and the preferential rate of duty for the like product, and not the proportionate relation between those rates. As examples:

1. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were 24 per cent ad valorem, the margin of preference would would 12 per cent ad valorem, and not one-third of the most-favoured-nation rate;

2. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were expressed as two-thirds of the most-favoured-nation rate, the margin of preference would be 12 per cent ad valorem;

3. If the most-favoured-nation rate were 2 francs per kilogram and the preferential rate were 1.50 francs per kilogram, the margin of preference would be 0.50 francs per kilogram.

The following kinds of customs action, taken in accordance with established uniform procedures, would not be contrary to a general binding of margins of preference:

(i) The re-application to an imported product of a tariff classification or rate of duty, properly applicable to such product, in cases in which the application of such classification or rate to such product was temporarily suspended or inoperative on April 10, 1947; and

(ii) the classification of a particular product under a tariff item other than that under which importations of that product were classified on April 10, 1947, in cases in which the tariff law clearly contemplates that such product may be classified under more than one tariff item.

ITO CHARTER

AD ARTICLE 16

Note 1.—The term "margin of preference" means the absolute difference between the most-favoured-nation rate of duty and the preferential rate of duty for the like product, and not the proportionate relation between those rates. As examples:

1. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were 24 per cent ad valorem, the margin of preference would be 12 per cent ad valorem, and not one-third of the most-favoured-nation rate.

2. If the most-favoured-nation were 36 per cent ad valorem and the preferential rate were expressed as two-thirds of the most-favoured-nation rate, the margin of preference would be 12 per cent ad valorem.

3. If the most-favoured-nation rate were 2 francs per kilogram and the preferential rate 1.50 francs per kilogram, the margin of preference would be 0.50 francs per kilogram.

Note 2.—The following kinds of customs action, taken in accordance with established uniform procedures, would not be contrary to the binding of margins of preference under paragraph 4:

(i) the re-application to an imported product of a tariff classification or rate of duty, properly applicable to such product, in cases in which the application of such classification or rate to such product was temporarily suspended or inoperative on April 10, 1947; and

(ii) the classification of a particular product under a tariff item other than that under which importations of that product were classified on April 10, 1947, in cases in which the tariff law clearly contemplates that such product may be classified under more than one tariff item.

GENERAL AGREEMENT ON TARIFFS AND TRADE

ARTICLE II. SCHEDULES OF CONCESSIONS

1. (*a*) Each contracting party shall accord to the commerce of the other contracting parties treatment no less favourable than that provided for in the appropriate Part of the appropriate Schedule annexed to this Agreement.

(*b*) The products described in Part I of the Schedule relating to any contracting party, which are the products of territories of other contracting parties, shall, on their importation into the territory to which the Schedule relates, and subject to the terms, conditions or qualifications set forth in that Schedule, be exempt from ordinary customs duties in excess of those set forth and provided for therein. Such products shall also be exempt from all other duties or charges of any kind imposed on or in connection with importation in excess of those imposed on the date of this Agreement or those directly and mandatorily required to be imposed thereafter by legislation in force in the importing territory on that date.

(*c*) The products described in Part II of the Schedule relating to any contracting party, which are the products of territories entitled under Article I to receive preferential treatment upon importation into the territory to which the Schedule relates, shall, on their importation into such territory, and subject to the terms, conditions or qualifications set forth in that Schedule, be exempt from ordinary customs duties in excess of those set forth and provided for in Part II of that Schedule. Such products shall also be exempt from all other duties or charges of any kind imposed on or in connection with importation in excess of those imposed on the date of this Agreement or those directly and mandatorily required to be imposed thereafter by legislation in force in the importing territory on that date. Nothing in this Article shall prevent any contracting party from maintaining its requirements existing on the date of this Agreement as to the eligibility of goods for entry at preferential rates of duty.

2. Nothing in this Article shall prevent any contracting party from imposing at any time on the importation of any product

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ARTICLE 17. REDUCTION OF TARIFFS AND ELIMINATION OF PREFERENCES

(For balance of Article see opposite Article XXV of GATT)

1. Each Member shall, upon the request of any other Member or Members, and subject to procedural arrangements established by the Organization, enter into and carry out with such other Member or Members negotiations directed to the substantial reduction of the general levels of tariffs and other charges on imports and exports, and to the elimination of the preferences referred to in paragraph 2 of Article 16, on a reciprocal and mutually advantageous basis.

2. The negotiations provided for in paragraph 1 shall proceed in accordance with the following rules:

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(*a*) a charge equivalent to an internal tax imposed consistently with the provisions of paragraph 1 of Article III in respect of the like domestic product or in respect of an article from which the imported product has been manufactured or produced in whole or in part;

(*b*) any anti-dumping or countervailing duty applied consistently with the provisions of Article VI;

(*c*) fees or other charges commensurate with the cost of services rendered.

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(*a*) Such negotiations shall be conducted on a selective product-by-product basis which will afford adequate opportunity to take into account the needs of individual countries and individual industries. Members shall be free not to grant concessions on particular products and, in the granting of a concession, they may reduce the duty, bind it at its then existing level, or undertake not to raise it above a specified higher level.

(*b*) No Member shall be required to grant unilateral concessions, or to grant concessions to other Members without receiving adequate concessions in return. Account shall be taken of the value to any Member of obtaining in its own right and by direct obligation the indirect concessions which it would otherwise enjoy only by virtue of Article 16.

(*c*) In negotiations relating to any specific product with respect to which a preferences applies,

(i) when a reduction is negotiated only in the most-favoured-nation rate, such reduction shall operate automatically to reduce or eliminate the margin of preference applicable to that product;

(ii) when a reduction is negotiated only in the preferential rate, the most-favoured-nation rate shall automatically be reduced to the extent of such reduction;

(iii) when it is agreed that reductions will be negotiated in both the most-favoured-nation rate and the preferential rate, the reduction in each shall be that agreed by the parties to the negotiations;

(iv) no margin of preference shall be increased.

(*d*) The binding against increase of low duties or of duty-free treatment shall in principle be recognized as a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

(*e*) Prior international obligations shall not be invoked to frustrate the requirement under paragraph 1 to negotiate with respect to preferences, it being understood that agreements which result from such negotiations and which conflict with such obligations shall not require the modification or termination of such obligations except (i) with the consent of the parties to such obligations, or, in the absence of such consent, (ii) by modification or termination of such obligations in accordance with their terms.

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3. No contracting party shall alter its method of determining duitable value or of converting currencies so as to impair the value of any of the concessions provided for in the appropriate Schedule annexed to this Agreement.

4. If any contracting party establishes, maintains or authorizes, formally or in effect, a monopoly of the importation of any product described in the appropriate Schedule annexed to this agreement, such monopoly shall not, except as provided for in that Schedule or as otherwise agreed between the parties which initially negotiated the concession, operate so as to afford protection on the average in excess of the amount of protection provided for in

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3. The negotiations leading to the General Agreement on Tariffs and Trade, concluded at Geneva on October 30, 1947, shall be deemed to be negotiations pursuant to this Article. The concessions agreed upon as a result of all other negotiations completed by a Member pursuant to this Article shall be incorporated in the General Agreement on terms to be agreed with the parties thereto. If any Member enters into any agreement relating to tariffs or preferences which is not concluded pursuant to this Article, the negotiations leading to such agreement shall nevertheless conform to the requirements of paragraph 2 (*c*).

AD ARTICLE 17

(From Annex P)

An internal tax (other than a general tax uniformity applicable to a considerable number of products) which is applied to a product not produced domestically in substantial quantities shall be treated as a customs duty under Article 17 in any case in which a tariff concession on the product would not be of substantial value unless accompanied by a binding or a reduction of the tax.

Paragraph 2 (d)

In the event of the devaluation of a Member's currency, or of a rise in prices, the effects of such devaluation or rise in prices would be a matter for consideration during negotiations in order to determine, first, the change, if any, in the protective incidence of the specific duties of the Member concerned and, secondly, whether the binding of such specific duties represents in fact a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

ARTICLE 31

(For balance of Article and Interpretative Note see opposite of Article XVII of GATT)

4. The import duty negotiated under paragraph 2, or made public or notified to the Organization under paragraph 3, shall represent the maximum margin by which the price charged by the import monopoly for the imported product (exclusive of internal taxes conforming to the provisions of Article 18, transportation, distribution and other expenses incident to the purchase, sale or further processing, and a reasonable margin of profit) may exceed the landed

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that Schedule. The provisions of this paragraph shall not limit the use by contracting parties of any form of assistance to domestic producers permitted by other provisions of this Agreement.

5. If any contracting party considers that a product is not receiving from another contracting party the treatment which the first contracting party believes to have been contemplated by a concession provided for in the appropriate Schedule annexed to this Agreement, it shall bring the matter directly to the attention of the other contracting party. If the latter agrees that the treatment contemplated was that claimed by the first contracting party, but declares that such treatment cannot be accorded because a court or other proper authority has ruled to the effect that the product involved cannot be classified under the tariff laws of such contracting party so as to permit the treatment contemplated in this Agreement, the two contracting parties, together with any other contracting parties substantially interested, shall enter promptly into further negotiations with a view to a compensatory adjustment of the matter.

6. (*a*) The specific duties and charges included in the Schedules relating to contracting parties members of the International Monetary Fund, and margins of preference in specific duties and charges maintained by such contracting parties, are expressed in the appropriate currency at the par value accepted or provisionally recognized by the Fund at the date of this Agreement. Accordingly, in case this par value is reduced consistently with the Articles of Agreement of the International Monetary Fund by more than twenty per centum, such specific duties and charges and margins of preference may be adjusted to take account of such reduction; *Provided* that the CONTRACTING PARTIES (i. e. the contracting parties acting jointly as provided for in Article XXV) concur that such adjustments will not impair the value of the concessions provided for in the appropriate Schedule or elsewhere in this Agreement, due account being taken of all factors which may influence the need for, or urgency of, such adjustments.

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cost: *Provided* that regard may be had to average landed costs and selling prices over recent periods; and *Provided further* that, where the product concerned is a primary commodity which is the subject of a domestic price stabilization arrangement, provision may be made for adjustment to take account of wide fluctuations or variations in world prices, subject where a maximum duty has been negotiated to agreement between the countries parties to the negotiations.

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(*b*) Similar provisions shall apply to any contracting party not a member of the Fund, as from the date on which such contracting party becomes a member of the Fund or enters into a special exchange agreement in pursuance of Article XV.

7. The Schedules annexed to this Agreement are hereby made an integral part of Part I of this Agreement.

AD ARTICLE II

(From annex I)

Paragraph 2 (b)

See the note relating to paragraph 1 of Article I.

Paragraph 4

Except where otherwise specifically agreed between the contracting parties which initially negotiated the concession, the provisions of this paragraph will be applied in the light of the provisions of Article 31 of the Draft Charter referred to in Article XXIX of this Agreement.

ARTICLE III. NATIONAL TREATMENT ON INTERNAL TAXATION AND REGULATION

1. The contracting parties recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.

2. The products of the territory of any contracting party imported into the territory of any other contracting party shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products. Moreover, no contracting party shall otherwise apply internal taxes or other internal charges to imported or domestic products in a manner contrary to the principles set forth in paragraph 1.

3. With respect to any existing internal tax which is inconsistent with the provisions of paragraph 2 but which is specifically authorized under a trade agreement, in force on 10 April 1947, in which the import duty on the taxed product is bound against increase, the

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ARTICLE 18. NATIONAL TREATMENT ON INTERNAL TAXATION AND REGULATION

1. The Members recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.

2. The products of any Member country imported into any other Member country shall not be subject, directly, or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products. Moreover, no Member shall otherwise apply internal taxes or other internal charges to imported or domestic products in a manner contrary to the principles set forth in paragraph 1.

3. With respect to any existing internal tax which is inconsistent with the provisions of paragraph 2 but which is specifically authorized under a trade agreement, in force on April 10, 1947, in which the import duty on the taxed product is bound against increase, the

GENERAL AGREEMENT ON TARIFFS AND TRADE

contracting party imposing the tax shall be free to postpone the application of the provisions of paragraph 2 to such tax until such time as it can obtain release from the obligations of such trade agreement in order to permit the increase of such duty to the extent necessary to compensate for the elimination of the protective element of the tax.

4. The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favorable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the products.

5. No contracting party shall establish or maintain any internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions which requires, directly or indirectly, that any specified amount or proportion of any product which is the subject of the regulation must be supplied from domestic sources. Moreover, no contracting party shall otherwise apply internal quantitative regulations in a manner contrary to the principles set forth in paragraph 1.

6. The provisions of paragraph 5 shall not apply to any internal quantitative regulation in force in the territory of any contracting party on 1 July 1939, 10 April 1947, or 24 March 1948, at the option of that contracting party; provided that any such regulation which is contrary to the provisions of paragraph 5 shall not be modified to the detriment of imports and shall be treated as a customs duty for the purpose of negotiation.

7. No internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions shall be applied in such a manner as to allocate any such amount or proportion among external sources of supply.

8. (*a*) The provisions of this article shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of products purchased for governmental

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Member imposing the tax shall be free to postpone the application of the provisions of paragraph 2 to such tax until such time as it can obtain release from the obligations of such trade agreement in order to permit the increase of such duty to the extent necessary to compensate for the elimination of the protective element of the tax.

4. The products of any Member country imported into any other Member country shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations, and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product.

5. No Member shall establish or maintain any internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions which requires, directly or indirectly, that any specified amount or proportion of any product which is the subject of the regulation must be supplied from domestic sources. Moreover, no Member shall otherwise apply internal quantitative regulations in a manner contrary to the principles set forth in paragraph 1.

6. The provisions of paragraph 5 shall not apply to any internal quantitative regulation in force in any Member country on July 1, 1939, April 10, 1947 or on the date of this Charter, at the option of that Member; *Provided* that any such regulation which is contrary to the provisions of paragraph 5 shall not be modified to the detriment of imports and shall be subject to negotiation and shall accordingly be treated as a customs duty for the purposes of Article 17.

7. No internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions shall be applied in such a manner as to allocate any such amount or proportion among external sources of supply.

8. (*a*) The provisions of this Article shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of products purchased for governmental pur-

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purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

(*b*) The provisions of this article shall not prevent the payment of subsidies exclusively to domestic producers, including payments to domestic producers derived from the proceeds of internal taxes or charges applied consistently with the provisions of this article and subsidies effected through governmental purchases of domestic products.

9. The contracting parties recognize that internal maximum price control measures, even though conforming to the other provisions of this article, can have effects prejudicial to the interests of contracting parties supplying imported products. Accordingly, contracting parties applying such measures shall take account of the interests of exporting contracting parties with a view to avoiding to the fullest practicable extent such prejudicial effects.

10. The provisions of this article shall not prevent any contracting party from establishing or maintaining internal quantitative regulations relating to exposed cinematograph films and meeting the requirements of article IV.

AD ARTICLE III

(From Annex I)

Any internal tax or other internal charge, or any law, regulation or requirement of the kind referred to in paragraph 1 which applies to an imported product and to the like domestic product and is collected or enforced in the case of the imported product at the time or point of importation, is nevertheless to be regarded as an internal tax or other internal charge, or a law, regulation or requirement of the kind referred to in paragraph 1, and is accordingly subject to the provisions of article III.

Paragraph 1

The application of paragraph 1 to internal taxes imposed by local governments and authorities within the territory of a contracting party is subject to the provisions of the final paragraph of article XXIV. The term "reasonable measures" in the last-mentioned paragraph would not require, for example, the repeal of existing national legislation authorizing local governments to impose internal taxes which, although technically inconsistent with the letter

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poses and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

(*b*) The provisions of this Article shall not prevent the payment of subsidies exclusively to domestic producers, including payments to domestic producers derived from the proceeds of internal taxes or charges applied consistently with the provisions of this Article and subsidies effected through governmental purchases of domestic products.

9. The Members recognize that internal maximum price control measures, even though conforming to the other provisions of this Article, can have effects prejudicial to the interests of Member countries supplying imported products. Accordingly, Members applying such measures shall take account of the interests of exporting Member countries with a view to avoiding to the fullest practicable extent such prejudicial effects.

AD ARTICLE 18

(From Annex P)

Any internal tax or other internal charge, or any law, regulation or requirement of the kind referred to in paragraph 1 which applies to an imported product and to the like domestic product and is collected or enforced in the case of the imported product at the time or point of importation, is nevertheless to be regarded as an internal tax or other internal charge, or a law, regulation or requirement of the kind referred to in paragraph 1, and is accordingly subject to the provisions of Article 18.

Paragraph 1

The application of paragraph 1 to internal taxes imposed by local governments and authorities within the territory of a Member is subject to the provisions of paragraph 3 of Article 104. The term "reasonable measures" in the last-mentioned paragraph would not require, for example, the repeal of existing national legislation authorizing local governments to impose internal taxes which, although technically inconsistent with the letter of Article 18,

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of article III are not in fact inconsistent with its spirit, if such repeal would result in a serious financial hardship for the local governments or authorities concerned. With regard to taxation by local governments or authorities which is inconsistent with both the letter and spirit of article III, the term "reasonable measures" would permit a contracting party to eliminate the inconsistent taxation gradually over a transition period, if abrupt action would create serious administrative and financial difficulties.	are not in fact inconsistent with its spirit, if such repeal would result in a serious financial hardship for the local governments or authorities concerned. With regard to taxation by local governments or authorities which is inconsistent with both the letter and spirit of Article 18, the term "reasonable measures" would permit a Member to eliminate the inconsistent taxation gradually over a transition period, if abrupt action would create serious administrative and financial difficulties.
Paragraph 2	*Paragraph 2*
A tax conforming to the requirements of the first sentence of paragraph 2 would be considered to be inconsistent with the provisions of the second sentence only in cases where competition was involved between, on the one hand, the taxed product and on the other hand, a directly competitive or substitutable product which was not similarly taxed.	A tax conforming to the requirements of the first sentence of paragraph 2 would be considered to be inconsistent with the provisions of the second sentence only in cases where competition was involved between, on the one hand, the taxed product and on the other hand, a directly competitive or substitutable product which was not similarly taxed.
Paragraph 5	*Paragraph 5*
Regulations consistent with the provisions of the first sentence of paragraph 5 shall not be considered to be contrary to the provisions of the second sentence in any case in which all of the products subject to the regulations are produced domestically in substantial quantities. A regulation cannot be justified as being consistent with the provisions of the second sentence on the ground that the proportion or amount allocated to each of the products which are the subject of the regulation constitutes an equitable relationship between imported and domestic products.	Regulations consistent with the provisions of the first sentence of paragraph 5 shall not be considered to be contrary to the provisions of the second sentence in any case in which all of the products subject to the regulations are produced domestically in substantial quantities. A regulation cannot be justified as being consistent with the provisions of the second sentence on the ground that the proportion or amount allocated to each of the products which are the subject of the regulation constitutes an equitable relationship between imported and domestic products.
ARTICLE IV. SPECIAL PROVISIONS RELATING TO CINEMATOGRAPH FILMS	ARTICLE 19. SPECIAL PROVISIONS RELATING TO CINEMATOGRAPH FILMS
If any contracting party establishes or maintains internal quantitative regulations relating to exposed cinematograph films, such regulations shall take the form of screen quotas which shall conform to the following requirements:	The provisions of Article 18 shall not prevent any Member from establishing or maintaining internal quantitative regulations relating to exposed cinematograph films. Any such regulations shall take the form of screen quotas which shall conform to the following conditions and requirements:
(*a*) screen quotas may require the exhibition of cinematograph films of national origin during a specified minimum proportion of the total screen time actually utilized, over a specified period of not less than one year, in the commercial exhibition of all films of whatever origin, and shall be computed on the basis of screen time per theatre per year or the equivalent thereof;	(*a*) Screen quotas may require the exhibition of cinematograph films of national origin during a specified minimum proportion of the total screen time actually utilized over a specified period of not less than one year, in the commercial exhibition of all films of whatever origin, and shall be computed on the basis of screen time per theatre per year or the equivalent thereof.

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(*b*) with the exception of screen time reserved for films of national origin under a screen quota, screen time including that released by administrative action from screen time reserved for films of national origin, shall not be allocated formally or in effect among sources of supply;

(*c*) notwithstanding the provisions of sub-paragraph (b) of this Article, any contracting party may maintain screen quotas conforming to the requirements of subparagraph (a) of this Article which reserve a minimum proportion of screen time for films of a specified origin other than that of the contracting party imposing such screen quotas; *Provided* that no such minimum proportion of screen time shall be increased above the level in effect on April 10, 1947;

(*d*) screen quotas shall be subject to negotiation for their limitation, liberalization or elimination.

ARTICLE V. FREEDOM OF TRANSIT

1. Goods (including baggage), and also vessels and other means of transport, shall be deemed to be in transit across the territory of a contracting party when the passage across such territory, with or without trans-shipment, warehousing, breaking bulk, or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the contracting party across whose territory the traffic passes. Traffic of this nature is termed in this Article "traffic in transit".

2. There shall be freedom of transit through the territory of each contracting party, via the routes most convenient for international transit, for traffic in transit to or from the territory of other contracting parties. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport.

3. Any contracting party may require that traffic in transit through its territory be entered at the proper custom house, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to the territory of other contracting parties shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or

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(*b*) With the except of screen time reserved for films of national origin under a screen quota, screen time, including screen time released by administrative action from time reserved for films of national origin, shall not be allocated formally or in effect among sources of supply.

(*c*) Notwithstanding the provisions of subparagraph (*b*) any Member may maintain screen quotas conforming to the requirements of sub-paragraph (*a*) which reserve a minimum proportion of screen time for films of a specified origin other than that of the Member imposing such screen quotas; *Provided* that such minimum proportion of screen time shall not be increased above the level in effect on April 10, 1947.

(*d*) Screen quotas shall be subject to negotiation and shall accordingly be treated as customs duties for the purposes of Article 17.

ARTICLE 33. FREEDOM OF TRANSIT

1. Goods (including baggage), and also vessels and other means of transport, shall be deemed to be in transit across the territory of a Member country, when the passage across such territory, with or without trans-shipment, warehousing, breaking bulk or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the Member country across whose territory the traffic passes. Traffic of this nature is termed in this Article "traffic in transit".

2. There shall be freedom of transit through each Member country, via the routes most convenient for international transit, for traffic in transit to or from other Member countries. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport.

3. Any Member may require that traffic in transit through its territory be entered at the proper custom house, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to other Member countries shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect

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other charges imposed in respect of transit, except charges for transportation or those commensurate with administrative expenses entailed by transit or with the cost of services rendered.

4. All charges and regulations imposed by contracting parties on traffic in transit to or from the territories of other contracting parties shall be reasonable, having regard to the conditions of the traffic.

5. With respect to all charges, regulations and formalities in connection with transit, each contracting party shall accord to traffic in transit to or from the territory of any other contracting party treatment no less favourable than the treatment accorded to traffic in transit to or from any third country.

6. Each contracting party shall accord to products which have been in transit through the territory of any other contracting party treatment no less favourable than that which would have been accorded to such products had they been transported from their place of origin to their destination without going through the territory of such other contracting party. Any contracting party shall, however, be free to maintain its requirements of direct consignment existing on the date of this Agreement, in respect of any goods in regard to which such direct consignment is a requisite condition of eligibility for entry of the goods at preferential rates of duty or has relation to the contracting party's prescribed method of valuation for duty purposes.

7. The provisions of this Article shall not apply to the operation of aircraft in transit, but shall apply to air transit of goods (including baggage).

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of transit, except charges commensurate with administrative expenses entailed by transit or with the cost of services rendered.

4. All charges and regulations imposed by Members on traffic in transit to or from other Member countries shall be reasonable, having regard to the conditions of the traffic.

5. With respect to all charges, regulations and formalities in connection with transit, each Member shall accord to traffic in transit to or from any other Member country treatment no less favourable than the treatment accorded to traffic in transit to or from any third country.

6. The Organization may undertake studies, make recommendations and promote international agreement relating to the simplification of customs regulations concerning traffic in transit, the equitable use of facilities required for such transit and other measures designed to promote the objectives of this Article. Members shall co-operate with each other directly and through the Organization to this end.

7. Each Member shall accord to goods which have been in transit through any other Member country treatment no less favourable than that which would have been accorded to such goods had they been transported from their place of origin to their destination without going through such other Member country. Any Member shall, however, be free to maintain its requirements of direct consignment existing on the date of this Charter, in respect of any goods in regard to which such direct consignment is a requisite condition of eligibility for entry of the goods at preferential rates of duty or has relation to the Member's prescribed method of valuation for customs purposes.

8. The provisions of this Article shall not apply to the operation of aircraft in transit, but shall apply to air transit of goods (including baggage).

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AD ARTICLE V	AD ARTICLE 33
(From annex I)	(From annex P)
Paragraph 5 With regard to transportation charges, the principle laid down in paragraph 5 refers to like products being transported on the same route under like conditions.	*Paragraph 1* The assembly of vehicles and mobile machinery arriving in a knocked-down condition or the disassembly (or disassembly and subsequent reassembly) of bulky articles shall not be held to render the passage of such goods outside the scope of "traffic in transit", provided that any such operation is undertaken solely for convenience of transport. *Paragraphs 3, 4 and 5* The word "charges" as used in the English text of paragraphs 3, 4 and 5 shall not be deemed to include transportation charges. *Paragraph 6* If, as a result of negotiations in accordance with paragraph 6, a Member grants to a country which has no direct access to the sea more ample facilities than those already provided for in other paragraphs of Article 33, such special facilities may be limited to the land-locked country concerned unless the Organization finds, on the complaint of any other Member, that the withholding of the special facilities from the complaining Member contravenes the most-favoured-nation provisions of this Charter.
ARTICLE VI—ANTI-DUMPING AND COUNTERVAILING DUTIES	ARTICLE 34. ANTI-DUMPING AND COUNTERVAILING DUTIES
1. The contracting parties recognize that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in the territory of a contracting party or materially retards the establishment of a domestic industry. For the purposes of this article, a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another	1. The Members recognize that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in a Member country or materially retards the establishment of a domestic industry. For the purposes of this Article, a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another
(*a*) Is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country, or,	(*a*) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country, or
(*b*) In the absence of such domestic price, is less than either	(*b*) in the absence of such domestic price, is less than either

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(i) The highest comparable price for the like product for export to any third country in the ordinary course of trade, or

(ii) The cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit.

Due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. In order to offset or prevent dumping, a contracting party may levy on any dumped product an anti-dumping duty not greater in amount than the margin of dumping in respect of such product. For the purposes of this article, the margin of dumping is the price difference determined in accordance with the provisions of paragraph 1.

3. No countervailing duty shall be levied on any product of the territory of any contracting party imported into the territory of another contracting party in excess of an amount equal to the estimated bounty or subsidy determined to have been granted, directly or indirectly, on the manufacture, production or export of such product in the country of origin or exportation, including any special subsidy to the transportation of a particular product. The term "countervailing duty" shall be understood to mean a special duty levied for the purpose of offsetting any bounty or subsidy bestowed, directly or indirectly, upon the manufacture, production or export of any merchandise.

4. No product of the territory of any contracting party imported into the territory of any other contracting party shall be subject to anti-dumping or countervailing duty by reason of the exemption of such product from duties or taxes borne by the like product when destined for consumption in the country of origin or exportation, or by reason of the refund of such duties or taxes.

5. No product of the territory of any contracting party imported into the territory of any other contracting party shall be subject to both anti-dumping and countervailing duties to compensate for the same situation of dumping or export subsidization.

6. No contracting party shall levy any anti-dumping or countervailing duty on the importation of any product of the territory of another contracting party unless it determines that the effect of the dumping or subsidization, as the case may be, is such as to cause or

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(i) the highest comparable price for the like product for export to any third country in the ordinary course of trade, or

(ii) the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit.

Due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. In order to offset or prevent dumping, a Member may levy on any dumped product an antidumping duty not greater in amount than the margin of dumping in respect of such product. For the purposes of this Article, the margin of dumping is the price difference determined in accordance with the provisions of paragraph 1.

3. No countervailing duty shall be levied on any product of any Member country imported into another Member country in excess of an amount equal to the estimated bounty or subsidy determined to have been granted, directly or indirectly, on the manufacture, production or export of such product in the country of origin or exportation, including any special subsidy to the transportation of a particular product. The term "countervailing duty" shall be understood to mean a special duty levied for the purpose of offsetting any bounty or subsidy bestowed, directly or indirectly, upon the manufacture, production or export of any merchandise.

4. No product of any Member country imported into any other Member country shall be subject to anti-dumping or countervailing duty by reason of the exemption of such product from duties or taxes borne by the like product when destined for consumption in the country of origin or exportation, or by reason of the refund of such duties or taxes.

5. No product of any Member country imported into any other Member country shall be subject to both anti-dumping and countervailing duties to compensate for the same situation of dumping or export subsidization.

6. No Member shall levy any antidumping or countervailing duty on the importation of any product of another Member country unless it determines that the effect of the dumping or subsidization, as the case may be, is such as to cause or threaten material injury to

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threaten material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry. The Contracting Parties may waive the requirements of this paragraph so as to permit a contracting party to levy an anti-dumping or countervailing duty on the importation of any product for the purpose of offsetting dumping or subsidization which causes or threatens material injury to an industry in the territory of another contracting party exporting the product concerned to the territory of the importing contracting party.

7. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be presumed not to result in material injury within the meaning of paragraph 6 if it is determined by consultation among the contracting parties substantially interested in the commodity concerned that:

(*a*) The system has also resulted in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market, and

(*b*) The system is so operated, either because of the effective regulation of production, or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other contracting parties.

AD ARTICLE VI

(From Annex I)

Paragraph 1

Hidden dumping by associated houses (that is, the sale by an importer at a price below that corresponding to the price invoiced by an exporter with whom the importer is associated, and also below the price in the exporting country) constitutes a form of price dumping with respect to which the margin of dumping may be calculated on the basis of the price at which the goods are resold by the importer.

Paragraphs 2 and 3

Note 1.—As in many other cases in customs administration, a contracting party may require reasonable security (bond or cash deposit) for the payment

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an established domestic industry, or is such as to retard materially the establishment of a domestic industry. The Organization may waive the requirements of this paragraph so as to permit a Member to levy an anti-dumping or countervailing duty on the importation of any product for the purpose of offsetting dumping or subsidization which causes or threatens material injury to an industry in another Member country exporting the product concerned to the importing Member country.

7. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be presumed not to result in material injury within the meaning of paragraph 6 if it is determined by consultation among the Members substantially interested in the commodity concerned that:

(*a*) the system has also resulted in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market, and

(*b*) the system is so operated, either because of the effective regulation of production, or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other Members.

AD ARTICLE 34

(From Annex P)

Paragraph 1

Hidden dumping by associated houses (that is, the sale by an importer at a price below that corresponding to the price invoiced by an exporter with whom the importer is associated, and also below the price in the exporting country) constitutes a form of price dumping with respect to which the margin of dumping may be calculated on the basis of the price at which the goods are resold by the importer.

Paragraphs 2 and 3

Note 1.—As in many other cases in customs administration, a Member may require reasonable security (bond or cash deposit) for the payment of anti-

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of anti-dumping or countervailing duty pending final determination of the facts in any case of suspected dumping or subsidization.

Note 2.—Multiple currency practices can in certain circumstances constitute a subsidy to exports which may be met by countervailing duties under paragraph 3 or can constitute a form of dumping by means of a partial depreciation of a country's currency which may be met by action under paragraph 2. By "multiple currency practices" is meant practices by Governments or sanctioned by Governments.

ARTICLE VII. VALUATION FOR CUSTOMS PURPOSES

1. The contracting parties recognize the validity of the general principles of valuation set forth in the following paragraphs of this Article, and they undertake to give effect to such principles, in respect of all products subject to duties or other charges or restrictions on importation and exportation based upon or regulated in any manner by value, at the earliest practicable date. Moreover, they shall, upon a request by another contracting party, review the operation of any of their laws or regulations relating to value for customs purposes in the light of these principles. The CONTRACTING PARTIES may request from contracting parties reports on steps taken by them in pursuance of the provisions of this Article.

2. (*a*) The value for customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

(*b*) "Actual value" should be the price at which, at a time and place determined by the legislation of the country of importation, and in the ordinary course of trade, such or like merchandise is sold or offered for sale under fully competitive conditions. To the extent to which the price of such or like merchandise is governed by the quantity in a particular transaction, the price to be considered should uniformly be related to either (i) comparable quantities, or (ii) quantities not less favourable to importers than those in which the greater volume of the merchandise is sold in the trade between the countries of exportation and importation.

(*c*) When the actual value is not as-

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dumping or countervailing duty pending final determination of the facts in any case of suspected dumping or subsidization.

Note 2.—Multiple currency practices can in certain circumstances constitute a subsidy to exports which may be met by countervailing duties under paragraph 3 or can constitute a form of dumping by means of a partial depreciation of a country's currency which may be met by action under paragraph 2. By "multiple currency practices" is meant practices by governments or sanctioned by governments.

ARTICLE 35 VALUATION FOR CUSTOMS PURPOSES

1. The Members shall work toward the standardization, as far as practicable, of definitions of value and of procedures for determining the value of products subject to customs duties or other charges or restrictions based upon or regulated in any manner by value. With a view to furthering co-operation to this end, the Organization may study and recommend to Members such bases and methods for determining value for customs purposes as would appear best suited to the needs of commerce and most capable of general adoption.

2. The Members recognize the validity of the general principles of valuation set forth in paragraphs 3, 4, and 5, and they undertake to give effect, at the earliest practicable date, to these principles in respect of all products subject to duties or other charges or restrictions on importation based upon or regulated in any manner by value. Moreover, they shall, upon a request by another Member directly affected, review in the light of these principles the operation of any of their laws or regulations relating to value for customs purposes. The Organization may request from Members reports on steps taken by them in pursuance of the provisions of this Article.

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certainable in accordance with subparagraph (*b*) of this paragraph, the value for customs purposes should be based on the nearest ascertainable equivalent of such value.

3. The value for customs purposes of any imported product should not include the amount of any internal tax, applicable within the country of origin or export, from which the imported product has been exempted or has been or will be relieved by means of refund.

4. (*a*) Except as otherwise provided for in this paragraph, where it is necessary for the purposes of paragraph 2 of this Article for a contracting party to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based on the par values of the currencies involved as established pursuant to the Articles of Agreement of the International Monetary Fund or by special exchange agreements entered into pursuant to Article XV of this Agreement.

5. The bases and methods for determining the value of products subject to duties or other charges or restrictions based upon or regulated in any manner by value should be stable and should be given sufficient publicity to enable traders to estimate, with a reasonable degree of certainty, the value for customs purposes.

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3. (*a*) The value for customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

(*b*) "Actual value" should be the price at which, at a time and place determined by the legislation of the country of importation, and in the ordinary course of trade, such or like merchandise is sold or offered for sale under fully competitive conditions. To the extent to which the price of such or like merchandise is governed by the quantity in a particular transaction, the price to be considered should uniformly be related to either (i) comparable quantities, or (ii) quantities not less favourable to importers than those in which the greater volume of the merchandise is sold in the trade between the countries of exportation and importation.

(*c*) When the actual value is not ascertainable in accordance with subparagraph (*b*), the value for customs purposes should be based on the nearest ascertainable equivalent of such value.

4. The value for customs purposes of any imported product should not include the amount of any internal tax, applicable within the country of origin or export, from which the imported product has been exempted or has been or will be relieved by means of refund.

5. (*a*) Except as otherwise provided in this paragraph, where it is necessary for the purposes of paragraph 3 for a Member to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based on the par values of the currencies involved, as established pursuant to the Articles of Agreement of the International Monetary Fund or by special exchange agreements entered into pursuant to Article 24 of this Charter.

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(*b*) Where no such par value has been established, the conversion rate shall reflect effectively the current value of such currency in commercial transactions.

(*c*) The CONTRACTING PARTIES, in agreement with the International Monetary Fund, shall formulate rules governing the conversion by contracting parties of any foreign currency in respect of which multiple rates of exchange are maintained consistently with the Articles of Agreement of the International Monetary Fund. Any contracting party may apply such rules in respect of such foreign currencies for the purposes of paragraph 2 of this Article as an alternative to the use of par values. Until such rules are adopted by the CONTRACTING PARTIES, any contracting party may employ, in respect of any such foreign currency, rules of conversion for the purposes of paragraph 2 of this Article which are designed to reflect effectively the value of such foreign currency in commercial transactions.

(*d*) Nothing in this paragraph shall be construed to require any contracting party to alter the method of converting currencies for customs purposes which is applicable in its territory on the date of this Agreement, if such alteration would have the effect of increasing generally the amounts of duty payable.

AD ARTICLE VII

(From Annex I)

Paragraph 1

Consideration was given to the desirability of replacing the words "at the earliest practicable date" by a definite date or, alternatively, by a provision for a specified limited period to be fixed

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(*b*) Where no such par value has been established, the conversion rate shall reflect effectively the current value of such currency in commercial transactions.

(*c*) The Organization, in agreement with the International Monetary Fund, shall formulate rules governing the conversion by Members of any foreign currency in respect of which multiple rates of exchange are maintained consistently with the Articles of Agreement of the International Monetary Fund. Any Member may apply such rules in respect of such foreign currencies for the purposes of paragraph 3 of this Article as an alternative to the use of par values. Until such rules are adopted by the Organization, any Member may employ, in respect of any such foreign currency, rules of conversion for the purposes of paragraph 3 of this Article which are designed to reflect effectively the value of such foreign currency in commercial transactions.

6. Nothing in this Article shall be construed to require any Member to alter the method of converting currencies for customs purposes which is applicable in its territory on the date of this Charter, if such alteration would have the effect of increasing generally the amounts of duty payable.

7. The bases and methods for determining the value of products subject to duties or other charges or restrictions based on or regulated in any manner by value should be stable and should be given sufficient publicity to enable traders to estimate, with a reasonable degree of certainty, the value for customs purposes.

AD ARTICLE 35

(From Annex P)

Paragraph 3

Note 1.—It would be in conformity with Article 35 to presume that "actual value" may be represented by the invoice price (or in the case of government contracts in respect of primary

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later. It was appreciated that it would not be possible for all contracting parties to give effect to these principles by a fixed time, but it was nevertheless understood that a majority of the contracting parties would give effect to them at the time the Agreement enters into force.

Paragraph 2

It would be in conformity with Article VII to presume that "actual value" may be represented by the invoice price, plus any non-included charges for legitimate costs which are proper elements of "actual value" and plus any abnormal discount or other reduction from the ordinary competitive price.

It would be in conformity with Article VII, paragraph 2 (*b*), for a contracting party to construe the phrase "in the ordinary course of trade," read in conjunction with "under fully competitive conditions," as excluding any transaction wherein the buyer and seller are not independent of each other and price is not the sole consideration.

The prescribed standard of "fully competitive conditions" permits contracting parties to exclude from consideration distributors' prices which involve special discounts limited to exclusive agents.

The wording of sub-paragraphs (*a*) and (*b*) permits a contracting party to assess duty uniformly either (1) on the basis of a particular exporter's prices of the imported merchandise, or (2) on the basis of the general price level of like merchandise.

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products, the contract price), plus any non-included charges for legitimate costs which are proper elements of "actual value" and plus any abnormal discount, or any reduction from the ordinary competitive price.

Note 2.—If on the date of this Charter a Member has in force a system under which ad valorem duties are levied on the basis of fixed values, the provisions of paragraph 3 of Article 35 shall not apply:

1. in the case of values not subject to periodical revision in regard to a particular product, as long as the value established for that product remains unchanged;

2. in the case of values subject to periodical revision, on condition that the revision is based on the average "actual value" established by reference to an immediately preceding period of not more than twelve months and that such revision is made at any time at the request of the parties concerned or of Members. The revision shall apply to the importation or importations in respect of which the specific request for revision was made, and the revised value so establinshed shall remain in force pending further revision.

Note 3.—It would be in conformity with paragraph 3 (*b*) for a Member to construe the phrase "in the ordinary course of trade", read in conjunction with "under fully competitive conditions," as excluding any transaction wherein the buyer and seller are not independent of each other and price is not the sole consideration.

Note 4.—The prescribed standard of "fully competitive conditions" permits Members to exclude from consideration distributors' prices which involve special discounts limited to exclusive agents.

Note 5.—The wording of sub-paragraphs (*a*) and (*b*) permits a Member to assess duty uniformly either (1) on the basis of a particular exporter's prices of the imported merchandise, or (2) on the basis of the general price level of like merchandise.

Paragraph 5

If compliance with the provisions of paragraph 5 would result in decreases in amounts of duty payable on products with respect to which the rates of duty have been bound by an international agreement, the term "at the earliest practicable date" in paragraph 2 allows the Member concerned a reasonable time to obtain adjustment of the agreement.

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ARTICLE VIII. FORMALITIES CONNECTED WITH IMPORTATION AND EXPORTATION

1. The contracting parties recognize that fees and charges, other than duties, imposed by governmental authorities on or in connection with importation or exportation, should be limited in amount to the approximate cost of services rendered and should not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes. The contracting parties also recognize the need for reducing the number and diversity of such fees and charges, for minimizing the incidence and complexity of import and export formalities, and for decreasing and simplifying import and export documentation requirements.

2. The contracting parties shall take action in accordance with the principles and objectives of paragraph 1 of this Article at the earliest practicable date. Moreover, they shall, upon request by another contracting party, review the operation of any of their laws and regulations in the light of these principles.

3. No contracting party shall impose substantial penalties for minor breaches of customs regulations or procedural requirements. In particular, no penalty in respect of any omission or mistake in customs documentation which is easily rectifiable and obviously made without fraudulent intent or gross negligence shall be greater than necessary to serve merely as a warning.

4. The provisions of this Article shall extend to fees, charges, formalities and requirements imposed by governmental authorities in connection with importation and exportation, including those relating to:

(*a*) consular transactions, such as consular invoices and certificates;

(*b*) quantitative restrictions;

(*c*) licensing;

(*d*) exchange control;

(*e*) statistical services;

(*f*) documents, documentation and certification;

(*g*) analysis and inspection; and

(*h*) quarantine, sanitation and fumigation.

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ARTICLE 36. FORMALITIES CONNECTED WITH IMPORTATION AND EXPORTATION

1. The Members recognize that all fees and charges of whatever character (other than import and export duties and other than taxes within the purview of Article 18) imposed by governmental authorities on or in connection with importation or exportation should be limited in amount to the approximate cost of services rendered and should not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes. The Members also recognize the need for reducing the number and diversity of such fees and and charges, for minimizing the incidence and complexity of import and export formalities, and for decreasing and simplifying import and export documentation requirements.

2. The Members shall take action in accordance with the principles and objectives of paragraph 1 at the earliest practicable date. Moreover, they shall, upon request by another Member directly affected, review the operation of any of their laws and regulations in the light of these principles. The Organization may request from Members reports on steps taken by them in pursuance of the provisions of this paragraph.

3. The provisions of paragraphs 1 and 2 shall extend to fees, charges, formalities and requirements imosed by governmental authorities in connection with importation and exportation, including those relating to:

(*a*) consular transactions, such as those relating to consular invoices and certificates;

(*b*) quantitative restrictions;

(*c*) licensing;

(*d*) exchange control;

(*e*) statistical services;

(*f*) documents, documentation and certification;

(*g*) analysis and inspection; and

(*h*) quarantine, sanitation and fumigation.

4. The Organization may study and recommend to Members specific measures for the simplification and standardization of customs formalities and techniques and for the elimination of unnecessary customs requirements, including those relating to advertising matter and samples for use only in taking orders for merchandise.

5. No Member shall impose substantial penalties for minor breaches of customs regulations or procedural re-

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quirements. In particular, no penalty in respect of any omission or mistake in customs documentation which is easily rectifiable and obviously made without fraudulent intent or gross negligence shall be greater than necessary to serve merely as a warning.

6. The Members recognize that tariff descriptions based on distinctive regional or geographical names should not be used in such a manner as to discriminate against products of Member countries. Accordingly, the Members shall co-operate with each other directly and through the Organization with a view to eliminating at the earliest practicable date practices which are inconsistent with this principle.

AD ARTICLE VIII

(From Annex I)

While Article VIII does not cover the use of multiple rates of exchange as such, paragraphs 1 and 4 condemn the use of exchange taxes or fees as a device for implementing multiple currency practices; if, however, a contracting party is using multiple currency exchange fees for balance-of-payments reasons with the approval of the International Monetary Fund, the provisions of paragraph 2 fully safeguard its position since that paragraph merely requires that the fees be eliminated at the earliest practicable date.

AD ARTICLE 36

(From Annex P)

Paragraph 3

While Article 36 does not cover the use of multiple rates of exchange as such, paragraphs 1 and 3 condemn the use of exchange taxes or fees as a device for implementing multiple currency practices; if, however, a Member is using multiple currency exchange fees for balance-of-payment reasons not inconsistently with the Articles of Agreement of the International Monetary Fund, the provisions of paragraph 2 fully safeguard its position since that paragraph merely requires that the fees be eliminated at the earliest practicable date.

ARTICLE IX. MARKS OF ORIGIN

1. Each contracting party shall accord to the products of the territories of other contracting parties treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country.

2. Whenever it is administratively practicable to do so, contracting parties should permit required marks of origin to be affixed at the time of importation.

3. The laws and regulations of contracting parties relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products, or materially reducing their value, or unreasonably increasing their cost.

4. As a general rule no special duty or penalty should be imposed by any contracting party for failure to comply

ARTICLE 37. MARKS OF ORIGIN

1. The Members recognize that, in adopting and implementing laws and regulations relating to marks of origin, the difficulties and inconveniences which such measures may cause to the commerce and industry of exporting countries should be reduced to a minimum.

2. Each Member shall accord to the products of each other Member country treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country.

3. Whenever it is administratively practicable to do so, Members should permit required marks of origin to be affixed at the time of importation.

4. The laws and regulations of Members relating to the marking of imported products shall be such as to permit com-

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with marking requirements prior to importation unless corrective marking is unreasonably delayed or deceptive marks have been affixed or the required marking has been intentionally omitted.

5. The contracting parties shall cooperate with each other with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of such distinctive regional or geographical names of products of the territory of a contracting party as are protected by its legislation. Each contracting party shall accord full and sympathetic consideration to such requests or representations as may be made by any other contracting party regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other contracting party.

ARTICLE X. PUBLICATION AND ADMINISTRATION OF TRADE REGULATIONS

1. Laws, regulations, judicial decisions and administrative rulings of general application, made effective by any contracting party, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments therefor, or

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pliance without seriously damaging the products or materially reducing their value or unreasonably increasing their cost.

5. The Members agree to work in cooperation through the Organization towards the early elimination of unnecessary marking requirements. The Organizatoin may study and recommend to Members measures directed to this end, including the adoption of schedules of general categories of products, in respect of which marking requirements operate to restrict trade to an extent disproportionate to any proper purpose to be served, and which shall not in any case be required to be marked to indicate their origin.

6. As a general rule no special duty or penalty should be imposed by any Member for failure to comply with marking requirements prior to importation unless corrective marking is unreasonably delayed or deceptive marks have been affixed or the required marking has been intentionally omitted.

7. The Members shall co-operate with each other directly and through the Organization with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of the distinctive regional or geographical names of products of a Member country which are protected by the legislation of such country. Each Member shall accord full and sympathetic consideration to such requests or representations as may be made by any other Member regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other Member. The Organization may recommend a conference of interested Members on this subject.

ARTICLE 38. PUBLICATION AND ADMINISTRATION OF TRADE REGULATIONS

1. Laws, regulations, judicial decisions and administrative rulings of general application made effective by any Member, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their

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affecting their sale, distribution, transportation, insurance, warehousing, inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them. Agreements affecting international trade policy which are in force between the government or a governmental agency of any contracting party and the government or governmental agency of any other contracting party shall also be published. The provisions of this paragraph shall not require any contracting party to disclose confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.

2. No measure of general application taken by any contracting party effecting an advance in a rate of duty or other charge on imports under an established and uniform practice, or imposing a new or more burdensome requirement, restriction or prohibition on imports, or on the transfer of payments therefor, shall be enforced before such measure has been officially published.

3. (*a*) Each contracting party shall administer in a uniform, impartial and reasonable manner all its laws, regulations, decisions and rulings of the kind described in paragraph 1 of this Article.

(*b*) Each contracting party shall maintain, or institute as soon as practicable, judicial, arbitral or administrative tribunals or procedures for the purpose, *inter alia*, of the prompt review and correction of administrative action relating to customs matters. Such tribunals or procedures shall be independent of the agencies entrusted with administrative enforcement and their decisions shall be implemented by, and shall govern the practice of, such agencies unless an appeal is lodged with a court or tribunal of superior jurisdiction within the time prescribed for appeals to be lodged by importers; *Provided* that the central administration of such agency may take steps to obtain a review of the matter in another proceeding if there is good cause to believe that the decision is inconsistent with established principles of law or the actual facts.

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sale, distribution, transportation, insurance, warehousing, inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them. Agreements affecting international trade policy which are in force between the government or governmental agency of any Member country and the government or governmental agency of any other country shall also be published. Copies of such laws, regulations, decisions, rulings and agreements shall be communicated promptly to the Organization. The provisions of this paragraph shall not require any Member to divulge confidential information the disclosure of which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.

2. No measure of general application taken by any Member effecting in advance in a rate of duty or other charge on imports under an established and uniform practice or imposing a new or more burdensome requirement, restriction or prohibition on imports, or on the transfer of payments therefor, shall be enforced before such measure has been officially made public.

3. (*a*) Each Member shall administer in a uniform, impartial and reasonable manner all its laws, regulations, decisions and rulings of the kind described in paragraph 1. Suitable facilities shall be afforded for traders directly affected by any of those matters to consult with the appropriate governmental authorities.

(*b*) Each Member shall maintain, or institute as soon as practicable, judicial, arbitral or administrative tribunals or procedures for the purpose, *inter alia*, of the prompt review and correction of administrative action relating to customs matters. Such tribunals or procedures shall be independent of the agencies entrusted with administrative enforcement and their decisions shall be implemented by, and shall govern the practice of, such agencies unless an appeal is lodged with a court or tribunal of superior jurisdiction within the time prescribed for appeals to be lodged by importers; *Provided* that the central administration of such agency may take steps to obtain a review of the matter in another proceeding if there is good cause to believe that the decision is inconsistent with established principles of law or the actual facts.

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(c) The provisions of sub-paragraph (b) of this paragraph shall not require the elimination or substitution of procedures in force in the territory of a contracting party on the date of this Agreement which in fact provide for an objective and impartial review of administrative action even though such procedures are not fully or formally independent of the agencies entrusted with administrative enforcement. Any contracting party employing such procedures shall, upon request, furnish the CONTRACTING PARTIES with full information thereon in order that they may determine whether such procedures conform to the requirements of this sub-paragraph.

No comparable article.

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(c) The provisions of sub-paragraph (b) shall not require the elimination or substitution of procedures in force in a Member country on the date of this Charter which in fact provide for an objective and impartial review of administrative action, even though such procedures are not fully or formally independent of the agencies entrusted with administrative enforcement. Any Member employing such procedures shall, upon request, furnish the Organization with full information thereon in order that the Organization may determine whether such procedures conform to the requirements of this sub-paragraph.

ARTICLE 39. INFORMATION, STATISTICS AND TRADE TERMINOLOGY

1. The Members shall communicate to the Organization, or to such agency as may be designated for the purpose by the Organization, as promptly and in as much detail as is reasonably practicable:

(a) statistics of their external trade in goods (imports, exports and, where applicable, re-exports, transit and trans-shipment and goods in warehouse or in bond);

(b) statistics of governmental revenue from import and export duties and other taxes on goods moving in international trade and, in so far as readily ascertainable, of subsidy payments affecting such trade.

2. So far as possible, the statistics referred to in paragraph 1 shall be related to tariff classifications and shall be in such form as to reveal the operation of any restrictions on importation or exportation which are based on or regulated in any manner by quantity or value or amounts of exchange made available.

3. The Members shall publish regularly and as promptly as possible the statistics referred to in paragraph 1.

4. The Members shall give careful consideration to any recommendations which the Organization may make to them with a view to improving the statistical information furnished under paragraph 1.

5. The Members shall make available to the Organization, at its request and in so far as is reasonably practicable, such other statistical information as the Organization may deem necessary to enable it to fulfil its functions, provided that such information is not being

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furnished to other inter-governmental organizations from which the Organization can obtain it.

6. The Organization shall act as a centre for the collection, exchange and publication of statistical information of the kind referred to in paragraph 1. The Organization, in collaboration with the Economic and Social Council of the United Nations, and with any other organization deemed appropriate, may engage in studies with a view to improving the methods of collecting, analyzing and publishing economic statistics and may promote the international comparability of such statistics, including the possible international adoption of standard tariff and commodity classifications.

7. The Organization, in co-operation with the other organizations referred to in paragraph 6, may also study the question of adopting standards, nomenclatures, terms and forms to be used in international trade and in the official documents and statistics of Members relating thereto, and may recommend the general acceptance by Members of such standards, nomenclatures, terms and forms.

ARTICLE XI. GENERAL ELIMINATION OF QUANTITATIVE RESTRICTIONS

1. No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party.

2. The provisions of paragraph 1 of this Article shall not extend to the following:

(*a*) export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party;

(*b*) import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade;

ARTICLE 20. GENERAL ELIMINATION OF QUANTITATIVE RESTRICTIONS

1. No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any Member on the importation of any product of any other Member country or on the exportation or sale for export of any product destined for any other Member country.

2. The provisions of paragraph 1 shall not extend to the following:

(*a*) export prohibitions or restrictions applied for the period necessary to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting Member country;

(*b*) import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade; if, in the opinion of the Organization, the standards or regulations adopted by a Member under this sub-paragraph have an unduly restrictive effect on trade, the Organization may request the Member to revise the standards or regula-

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(c) import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which operate:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level; or

(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.

Any contracting party applying restrictions on the importation of any product pursuing to sub-paragraph (c) of this paragraph shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value. Moreover, any restrictions applied under (i) above shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the contracting party shall pay due regard to the proportion prevailing during a previous representative period and to any special factors which may have affected or may be affecting the trade in the product concerned.

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tions; *Provided* that it shall not request the revision of standards internationally agreed pursuant to recommendations made under paragraph 7 of Article 39;

(c) import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which operate effectively:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level; or

(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.

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3. Throughout Articles XI, XII, XIII and XIV the terms "import restrictions" or "export restrictions" include restrictions made effective through state-trading operations.

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3. With regard to import restrictions applied under the provisions of paragraph 2 (*c*):

(*a*) such restrictions shall be applied only so long as the governmental measures referred to in paragraph 2 (*c*) are in force, and, when applied to the import of products of which domestic supplies are available during only a part of the year, shall not be applied in such a way as to prevent their import in quantities sufficient to satisfy demand for current consumption purposes during those periods of the year when like domestic products, or domestic products for which the imported product can be directly substituted, are not available;

(*b*) any Member intending to introduce restrictions on the importation of any product shall, in order to avoid unnecessary damage to the interests of exporting countries, give notice in writing as far in advance as practicable to the Organization and to Members having a substantial interest in supplying that product, in order to afford such Members adequate opportunity for consultation in accordance with the provisions of paragraphs 2 (*d*) and 4 of Article 22, before the restrictions enter into force. At the request of the importing Member concerned, the notification and any information disclosed during the consultations shall be kept strictly confidential;

(*c*) any Member applying such restrictions shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value;

(*d*) any restrictions applied under paragraph 2 (*c*) (i) shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the Member applying the restrictions shall pay due regard to the proportion prevailing during a previous representative period and to any special factors which may have affected or may be affecting the trade in the product concerned.

4. Throughout this Section the terms "import restrictions" and "export restrictions" include restrictions made effective through state-trading operations.

GENERAL AGREEMENT ON TARIFFS AND TRADE	ITO CHARTER
AD ARTICLE XI	AD ARTICLE 20
(From Annex I)	(From Annex P)
Paragraph 2 (c) The term "in any form" in this paragraph covers the same products when in an early stage of processing and still perishable, which compete directly with the fresh product and if freely imported would tend to make the restriction on the fresh product ineffective.	*Paragraph 2 (a)* In the case of products which are basic to diet in the exporting country and which are subject to alternate annual shortages and surpluses, the provisions of paragraph 2 (*a*) do not preclude such export prohibitions or restrictions as are necessary to maintain from year to year domestic stocks sufficient to avoid critical shortages.
Paragraph 2, last sub-paragraph The term "special factors" includes changes in relative productive efficiency as between domestic and foreign producers, or as between different foreign producers, but not changes artificially brought about by means not permitted under the Agreement.	*Paragraph 2 (c)* The expression "agricultural and fisheries product, imported in any form" means the product in the form in which it is originally sold by its producer and such processed forms of the product as are so closely related to the original product as regards utilization that their unrestricted importation would make the restriction on the original product ineffective.
	Paragraph 3 (b) The provisions for prior consultation would not prevent a Member which had given other Members a reasonable period of time for such consultation from introducing the restrictions at the date intended. It is recognized that, with regard to import restrictions applied under paragraph 2 (*c*) (ii), the period of advance notice provided would in some cases necessarily be relatively short.
	Paragraph 3 (d) The term "special factors" in paragraph 3 (*d*) includes among other factors changes in relative productive efficiency as between domestic and foreign producers which may have occurred since the representative period.
ARTICLE XII. RESTRICTIONS TO SAFEGUARD THE BALANCE OF PAYMENTS	ARTICLE 21. RESTRICTIONS TO SAFEGUARD THE BALANCE OF PAYMENTS
1. Notwithstanding the provisions of paragraph 1 of Article XI, any contracting party, in order to safeguard its external financial position and balance of payments, may restrict the quantity or value of merchandise permitted to be imported, subject to the provisions of the following paragraphs of this Article.	1. The Members recognize that: (*a*) it is primarily the responsibility of each Member to safeguard its external financial position and to achieve and maintain stable equilibrium in its balance of payments; (*b*) an adverse balance of payments of one Member country may have important effects on the trade and balance of payments of other Member countries, if it results in, or may lead to, the imposition by the Member of restrictions affecting international trade; (*c*) the balance of payments of each Member country is of concern to other

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2. (*a*) No contracting party shall institute, maintain or intensify import restrictions under this Article except to the extent necessary

(i) to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or

(ii) in the case of a contracting party with very low monetary reserves, to achieve a reasonable rate of increase in its reserves.

Due regard shall be paid in either case to any special factors which may be affecting the contracting party's reserves or need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

(b) Contracting parties applying restrictions under subparagraph (*a*) of this paragraph shall progressively relax them as such conditions improve, maintaining them only to the extent that the conditions specified in that sub-paragraph still justify their application. They shall eliminate the restrictions when conditions would no longer justify their institution or maintenance under that sub-paragraph.

(*c*) Contracting parties undertake, in carrying out their domestic policies:

(i) to pay due regard to the need for restoring equilibrium in their balance of payments on a sound and lasting basis and to the desirability of assuring an economic employment of productive resources;

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Members, and therefore it is desirable that the Organization should promote consultations among Members and, where possible, agreed action consistent with this Charter for the purpose of correcting a maladjustment in the balance of payments; and

(*d*) action taken to restore stable equilibrium in the balance of payments should, so far as the Member or Members concerned find possible, employ methods which expand rather than contract international trade.

2. Notwithstanding the provisions of paragraph 1 of Article 20, any Member, in order to safeguard its external financial position and balance of payments, may restrict the quantity or value of merchandise permitted to be imported, subject to the provisions of the following paragraphs of this Article.

3. (*a*) No Member shall institute, maintain or intensify import restrictions under this Article except to the extent necessary

(i) to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or

(ii) in the case of a Member with very low monetary reserves, to achieve a reasonable rate of increase in its reserves.

Due regard shall be paid in either case to any special factors which may be affecting the Member's reserves or need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

(*b*) A Member applying restrictions under sub-paragraph (*a*) shall progressively relax and ultimately eliminate them, in accordance with the provisions of that sub-paragraph, as its external financial position improves. This provision shall not be interpreted to mean that a Member is required to relax or remove such restrictions if that relaxation or removal would thereupon produce conditions justifying the intensification or institution, respectively, of restrictions under sub-paragraph (*a*).

(*c*) Members undertake:

(i) not to apply restrictions so as to prevent unreasonably the importation of any description of merchandise in minimum commercial quantities the exclusion of which would impair regular chan-

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(ii) not to apply restrictions so as to prevent unreasonably the importation of any description of goods in minimum commercial quantities, the exclusion of which would impair regular channels of trade, or restrictions which would prevent the importation of commercial samples, or prevent compliance with patent, trademark, copyright, or similar procedures; and

(iii) to apply restrictions under this Article in such a way as to avoid unnecessary damage to the commercial or economic interests of any other contracting party.

3. (*a*) The contracting parties recognize that during the next few years all of them will be confronted in varying degrees with problems of economic adjustment resulting from the war. During this period the CONTRACTING PARTIES shall, when required to take decisions under this Article or under Article XIV, take full account of the difficulties of post-war adjustment and of the need which a contracting party may have to use import restrictions as a step towards the restoration of equilibrium in its balance of payments on a sound and lasting basis.

(*b*) The contracting parties recognize that, as a result of domestic policies directed toward the achievement and maintenance of full and productive employment and large and steadily growing demand or toward the reconstruction or development of industrial and other economic resources and the raising of standards of productivity, such a contracting party may experience a high level of demand for imports. Accordingly,

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nels of trade, or restrictions which would prevent the importation of commercial samples or prevent the importation of such minimum quantities of a product as may be necessary to obtain and maintain patent, trade mark, copyright or similar rights under industrial or intellectual property laws;

(ii) to apply restrictions under this Article in such a way as to avoid unnecessary damage to the commercial or economic interests of any other Member, including interests under Articles 3 and 9.

4. (*a*) The Members recognize that in the early years of the Organization all of them will be confronted in varying degrees with problems of economic adjustment resulting from the war. During this period the Organization shall, when required to take decisions under this Article or under Article 23, take full account of the difficulties of post-war adjustment and of the need which a Member may have to use import restrictions as a step towards the restoration of equilibrium in its balance of payments on a sound and lasting basis.

(*b*) The Members recognize that, as a result of domestic policies directed toward the fulfilment of a Member's obligations under Article 3 relating to the achievement and maintenance of full and productive employment and large and steadily growing demand, or its obligations under Article 9 relating to the reconstruction or development of industrial and other economic resources and to the raising of standards of productivity, such a Member may find that demands for foreign exchange on account of imports and other current payments are absorbing the foreign exchange resources currently available to it in such a manner as to exercise pressure on its monetary reserves which would justify the institution or maintenance of restrictions under paragraph 3 of this Article. Accordingly,

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(i) notwithstanding the provisions of paragraph 2 of this Article, no contracting party shall be required to withdraw or modify restrictions on the ground that a change in the policies referred to above would render unnecessary the restrictions which it is applying under this Article;

(ii) any contracting party applying import restrictions under this Article may determine the incidence of the restrictions on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential in the light of such policies.

4. (*a*) Any contracting party which is not applying restrictions under this Article, but is considering the need to do so, shall, before instituting such restrictions (or, in circumstances in which prior consultation is impracticable, immediately after doing so), consult with the CONTRACTING PARTIES as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of such measures on the economies of other contracting parties. No contracting party shall be required in the course of consultations under this sub-paragraph to indicate in advance the choice or timing of any particular measures which it may ultimately determine to adopt.

(*b*) The CONTRACTING PARTIES may at any time invite any contracting party which is applying import restrictions under this Article to enter into such consultations with them, and shall invite any contracting party substantially intensifying such restrictions to consult within thirty days. A contracting party thus invited shall participate in such discussions. The CONTRACTING PARTIES may invite any other contracting party to take part in these discussions. Not later than January 1, 1951, the CONTRACTING PARTIES shall review all restrictions existing on that day and still applied under this Article at the time of the review.

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(i) no Member shall be required to withdraw or modify restrictions which it is applying under this Article on the ground that a change in such policies would render these restrictions unnecessary;

(ii) any Member applying import restrictions under this Article may determine the incidence of the restrictions on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential in the light of such policies.

(*c*) Members undertake, in carrying out their domestic policies, to pay due regard to the need for restoring equilibrium in their balance of payments on a sound and lasting basis and to the desirability of assuring an economic employment of productive resources.

5. (*a*) Any Member which is not applying restrictions under this Article, but is considering the need to do so, shall, before instituting such restrictions (or, in circumstances in which prior consultation is impracticable, immediately after doing so), consult with the Organization as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of such measures on the economies of other Members. No Member shall be required in the course of consultations under this sub-paragraph to indicate in advance the choice or timing of any particular measure which it may ultimately determine to adopt.

(*b*) The Organization may at any time invite any Member which is applying import restrictions under this Article to enter into such consultations with it and shall invite any Member substantially intensifying such restrictions to consult within thirty days. A Member thus invited shall participate in the consultations. The Organization may invite any other Member to take part in the consultations. Not later than two years from the day on which this Charter enters into force, the Organization shall review all restrictions existing on that day and still applied under this Article at the time of the review.

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(c) Any contracting party may consult with the CONTRACTING PARTIES with a view to obtaining their prior approval for restrictions which the contracting party proposes, under this Article, to maintain, intensify or institute, or for the maintenance, intensification or institution of restrictions under specified future conditions. As a result of such consultations, the CONTRACTING PARTIES may approve in advance the maintenance, intensification or institution of restrictions by the contracting party in question insofar as the general extent, degree of intensity and duration of the restrictions are concerned. To the extent to which such approval has been given, the requirements of sub-paragraph (a) of this paragraph shall be deemed to have been fulfilled, and the action of the contracting party applying the restrictions shall not be open to challenge under sub-paragraph (d) of this paragraph on the ground that such action is inconsistent with the provisions of paragraph 2 of this Article.

(d) Any contracting party which considers that another contracting party is applying restrictions under this Article inconsistently with the provisions of paragraphs 2 or 3 of this Article or with those of Article XIII (subject to the provisions of Article XIV) may bring the matter for discussion to the CONTRACTING PARTIES; and the contracting party applying the restrictions shall participate in the discussion. The CONTRACTING PARTIES, if they are satisfied that there is a *prima facie* case that the trade of the contracting party initiating the procedure is adversely affected, shall submit their views to the parties with the aim of achieving a settlement of the matter in question which is satisfactory to the parties and to the CONTRACTING PARTIES. If no such settlement is reached and if the CONTRACTING PARTIES determine that the restrictions are being applied inconsistently with the provisions of paragraphs 2 or 3 of this Article or with those of Article XIII (subject to the provisions of Article XIV), they shall recommend the withdrawal or modification of the restrictions. If the restrictions are not withdrawn or modified in accordance with the recommendation of the CONTRACTING PARTIES within sixty days, they may release any contracting party from specified obligations under this Agreement towards the contracting party applying the restrictions.

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(c) Any Member may consult with the Organization with a view to obtaining the prior approval of the organization for restrictions which the Member proposes, under this Article, to maintain, intensify or institute, or for the maintenance, intensification of institution of restrictions under specified future conditions. As a result of such consultations, the Organization may approve in advance the maintenance, intensification of institution of restrictions by the Member in question in so far as the general extent, degree of intensity and duration of the restrictions are concerned. To the extent to which such approval has been given, the requirements of sub-paragraph (a) of this paragraph shall be deemed to have been fulfilled, and the action of the Member applying the restriction shall not be open to challenge under sub-paragraph (d) of this paragraph on the ground that such action is inconsistent with the provisions of sub-paragraphs (a) and (b) of paragraph 3.

(d) Any Member which considers that another Member is applying restrictions under this Article inconsistently with the provisions of paragraphs 3 or 4 of this Article or with those of Article 22 (subject to the provisions of Article 23) may bring the matter to the Organization for discussion; and the Member applying the restrictions shall participate in the discussion. If, on the basis of the case presented by the Member initiating the procedure, it appears to the Organization that the trade of that Member is adversely affected, the Organization shall submit its views to the parties with the aim of achieving a settlement of the matter in question which is satisfactory to the parties and to the Organization. If no such settlement is reached and if the Organization determines that the restrictions are being applied inconsistently with the provisions of paragraphs 3 or 4 of this Article or with those of Article 22 (subject to the provisions of Article 23), the Organization shall recommend the withdrawal or modification of the restrictions. If the restrictions are not withdrawn or modified in accordance with the recommendation of the Organization within sixty days, the Organization may release any Member from specified obligations or concessions under or pursuant to this Charter towards the Member applying the restrictions.

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(*e*) It is recognized that premature disclosure of the prospective application, withdrawal or modification of any restriction under this Article might stimulate speculative trade and financial movements which would tend to defeat the purposes of this Article. Accordingly, the CONTRACTING PARTIES shall make provision for the observance of the utmost secrecy in the conduct of any consultation.

5. If there is a persistent and widespread application of import restrictions under this Article, indicating the existence of a general disequilibrium which is restricting international trade, the CONTRACTING PARTIES shall initiate discussions to consider whether other measures might be taken, either by those contracting parties whose balances of payments are under pressure or by those whose balances of payments are tending to be exceptionally favourable, or by any appropriate inter-governmental organization, to remove the underlying causes of the disequilibrium. On the invitation of the CONTRACTING PARTIES, contracting parties shall participate in such discussions.

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(*e*) In consultations between a Member and the Organization under this paragraph there shall be full and free discussion as to the various causes and the nature of the Member's balance-of-payments difficulties. It is recognized that premature disclosure of the prospective application, withdrawal or modification of any restrictions under this Article might stimulate speculative trade and financial movements which would tend to defeat the purposes of this Article. Accordingly, the Organization shall make provision for the observance of the utmost secrecy in the conduct of any consultation.

AD ARTICLE XII

(From Annex I)

Paragraph 3 (b) (i)

The phrase "notwithstanding the provisions of paragraph 2 of this Article" has been included in the text to make it quite clear that a contracting party's import restrictions otherwise "necessary" within the meaning of paragraph 2 (a) shall not be considered unnecessary on the ground that a change in domestic policies as referred to in the text could improve a contracting party's monetary reserve position. The phrase is not intended to suggest that the provisions of paragraph 2 are affected in any other way.

Consideration was given to the special problems that might be created for contracting parties which, as a result of their programmes of full employment, maintenance of high and rising levels of demand and economic development, find themselves faced with a high level of demand for imports, and in consequence maintain quantitative regulation of their foreign trade. It was considered that the present text of Article XII together with the provision for export controls in certain parts of the Agreement, e. g. in Article XX, fully meet the position of these economies.

AD ARTICLE 21

(From Annex P)

With regard to the special problems that might be created for Members which, as a result of their programmes of full employment, maintenance of high and rising levels of demand and economic development, find themselves faced with a high level of demand for imports, and in consequence maintain quantitative regulation of their foreign trade, it was considered that the text of Article 21, together with the provision for export controls in certain parts of this Charter, for example, in Article 45, fully meet the position of these economies.

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6. If there is a persistent and widespread application of import restrictions under this Article, indicating the existence of a general disequilibrium which is restricting international trade, the Organization shall initiate discussions to consider whether other measures might be taken, either by those Members whose balances of payments are under pressure or by those Members whose balances of payments are tending to be exceptionally favourable, or by any appropriate intergovernmental organization, to remove the underlying causes of the disequilibrium. On the invitation of the Organization, Members shall participate in such discussions.

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ARTICLE XIII. NON-DISCRIMINATORY ADMINISTRATION OF QUANTITATIVE RESTRICTIONS

1. No prohibition or restriction shall be applied by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation of any product destined for the territory of any other contracting party, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

2. In applying import restrictions to any product, contracting parties shall aim at a distribution of trade in such product approaching as closely as possible to the shares which the various contracting parties might be expected to obtain in the absence of such restrictions, and to this end shall observe the following provisions:

(*a*) wherever practicable, quotas representing the total amount of permitted imports (whether allocated among supplying countries or not) shall be fixed, and notice given of their amount in accordance with paragraph 3 (*b*) of this Article;

(*b*) in cases in which quotas are not practicable, the restrictions may be applied by means of import licenses or permits without a quota;

(*c*) contracting parties shall not, except for purposes of operating quotas allocated in accordance with sub-paragraph (*d*) of this paragraph, require that import licenses or permits be utilized for the importation of the product concerned from a particular country or source;

(*d*) in cases in which a quota is allocated among supplying countries, the contracting party applying the restrictions may seek agreement with respect

ARTICLE 22. NON-DISCRIMINATORY ADMINISTRATION OF QUANTITATIVE RESTRICTIONS

1. No prohibition or restriction shall be applied by any Member on the importation of any product of any other Member country or on the exportation of any product destined for any other Member country, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

2. In applying import restrictions to any product, Members shall aim at a distribution of trade in such product approaching as closely as possible to the shares which the various Member countries might be expected to obtain in the absence of such restrictions, and to this end, shall observe the following provisions:

(*a*) wherever practicable, quotas representing the total amount of permitted imports (whether allocated among supplying countries or not) shall be fixed, and notice given of their amount in accordance with paragraph 3 (*b*);

(*b*) in cases in which quotas are not practicable, the restrictions may be applied by means of import licenses or permits without a quota;

(*c*) Members shall not, except for purposes of operating quotas allocated in accordance with sub-paragraph (*d*) of this paragraph, require that import licenses or permits be utilized for the importation of the product concerned from a particular country or source;

(*d*) in cases in which a quota is allocated among supplying countries, the Member applying the restrictions may seek agreement with respect to the allo-

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to the allocation of shares in the quota with all other contracting parties having a substantial interest in supplying the product concerned. In cases in which this method is not reasonably practicable, the contracting party concerned shall allot to contracting parties having a substantial interest in supplying the product shares based upon the proportions, supplied by such contracting parties during a previous representative period, of the total quantity or value of imports of the product, due account being taken of any special factors which may have affected or may be affecting the trade in the product. No conditions or formalities shall be imposed which would prevent any contracting party from utilizing fully the share of any such total quantity or value which has been allotted to it, subject to importation being made within any prescribed period to which the quota may relate.

3. (*a*) In cases in which import licenses are issued in connection with import restrictions, the contracting party applying the restrictions shall provide, upon the request of any contracting party having an interest in the trade in the product concerned, all relevant information concerning the administration of the restrictions, the import licenses granted over a recent period and the distribution of such licenses among supplying countries; *Provided* that there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(*b*) In the case of import restrictions involving the fixing of quotas, the contracting party applying the restrictions shall give public notice of the total quantity or value of the product or products which will be permitted to be imported during a specified future period and of any change in such quantity or value. Any supplies of the product in question which were en route at the time at which public notice was given shall not be excluded from entry; *Provided* that they may be counted so far as practicable, against the quantity permitted to be imported in the period in question, and also, where necessary, against the quantities permitted to be imported in the next following period or periods; and *Provided* further that if any contracting party customarily exempts from such restrictions products entered for consumption or withdrawn from warehouse for consumption during a period of thirty days after the day

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cation of shares in the quota with all other Members having a substantial interest in supplying the product concerned. In cases in which this method is not reasonably practicable, the Member concerned shall allot to Member countries having a substantial interest in supplying the product shares of the total quantity or value of imports of the product based upon the proportions supplied by such Member countries during a previous representative period, due account being taken of any special factors which may have affected or may be affecting the trade in the product. No conditions or formalities shall be imposed which would prevent any Member country from utilizing fully the share of any such total quantity or value which has been allotted to it, subject to importation being made within any prescribed period to which the quota may relate.

3. (*a*) In the case of import restrictoins involving the granting of import licenses, the Member applying the restrictions shall provide, upon the request of any Member having an interest in the trade in the product concerned, all relevant information concerning the administration of the restrictions, the import licences granted over a recent period and the distribution of such licenses among supplying countries; *Provided* that there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(*b*) In the case of import restrictions involving the fixing of quotas, the Member applying the restrictions shall give public notice of the total quantity or value of the product or products which will be permitted to be imported during a specified future period and of any change in such quantity or value. Any supplies of the product in question which were enroute at the time at which public notice was given shall not be excluded from entry; *Provided* that they may be counted, so far as practicable, against the quantity permitted to be imported in the period in question, and also, where necessary, against the quantities permitted to be imported in the next following period or periods, and *Provided further* that if any Member customarily exempts from such restrictions products entered for consumption or withdrawn from warehouse for consumption during a period of thirty days after the day of such public

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of such public notice, such practice shall be considered full compliance with this sub-paragraph.

(*c*) In the case of quotas allocated among supplying countries, the contracting party applying the restrictions shall promptly inform all other contracting parties having an interest in supplying the product concerned of the shares in the quota currently allocated, by quantity or value, to the various supplying countries and shall give public notice thereof.

4. With regard to restrictions applied in accordance with paragraph 2 (d) of this Article or under paragraph 2 (c) of Article XI, the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the contracting party applying the restriction; *Provided* that such contracting party shall upon the request of any other contracting party having a substantial interest in supplying that product or upon the request of the CONTRACTING PARTIES, consult promptly with the other contracting party or the CONTRACTING PARTIES regarding the need for an adjustment of the proportion determined or of the base period selected, or for the reappraisal of the special factors involved, or for the elimination of conditions, formalities or any other provisions established unilaterally relating to the allocation of an adequate quota or its unrestricted utilization.

5. The provisions of this Article shall apply to any tariff quota instituted or maintained by any contracting party, and, insofar as applicable, the principles of this Article shall also extend to export restrictions.

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notice, such practice shall be considered full compliance with this sub-paragraph.

(*c*) In the case of quotas allocated among supplying countries, the Member applying the restrictions shall promptly inform all other Members having an interest in supplying the product concerned of the shares in the quota currently allocated, by quantity or value, to the various supplying countries and shall give public notice thereof.

(*d*) If the Organization finds, upon the request of a Member, that the interests of that Member would be seriously prejudiced by giving, in regard to certain products, the public notice required under sub-paragraphs (*b*) and (*c*) of this paragraph, by reason of the fact that a large part of its imports of such products is supplied by non-Member countries, the Organization shall release the Member from compliance with the obligations in question to the extent and for such time as it finds necessary to prevent such prejudice. Any request made by a Member pursuant to this sub-paragraph shall be acted upon promptly by the Organization.

4. With regard to restrictions applied in accordance with the provisions of paragraph 2 (*d*) of this Article or under the provisions of paragraph 2 (*c*) of Article 20, the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the Member applying the restrictions; *Provided* that such Member shall, upon the request of any other Member having a substantial interest in supplying that product, or upon the request of the Organization, consult promptly with the other Member or the Organization regarding the need for an adjustment of the proportion determined or of the base period selected, or for the re-appraisal of the special factors involved, or for the elimination of conditions, formalities or any other provisions established unilaterally with regard to the allocation of an adequate quota or its unrestricted utilization.

5. The provisions of this Article shall apply to any tariff quota instituted or maintained by any Member and, in so far as applicable, the principles of this Article shall also extend to export restrictions.

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AD ARTICLE XIII	AD ARTICLE 22
(From Annex I)	(From Annex P)
Paragraph 2 (d) No mention was made of "commercial considerations" as a rule for the allocation of quotas because it was considered that its application by governmental authorities might not always be practicable. Moreover, in cases where it is practicable, a contracting party could apply these considerations in the process of seeking agreement, consistently with the general rule laid down in the opening sentence of paragraph 2.	*Paragraph 2 (d) and 4* The term "special factors" as used in Article 22 includes among other factors the following changes, as between the various foreign producers, which may have occurred since the representative period: 1. changes in relative productive efficiency; 2. the existence of new or additional ability to export; and 3. reduced ability to export. *Paragraph 3* The first sentence of paragraph 3 (*b*) is to be understood as requiring the Member in all cases to give, not later than the beginning of the relevant period, public notice of any quota fixed for a specified future period, but as permitting a Member, which for urgent balance-of-payments reasons is under the necessity of changing the quota within the course of a specified period, to select the time of its giving public notice of the change. This in no way affects the obligation of a Member under the provisions of paragraph 3 (*a*), where applicable.
Paragraph 4 See note relating to "special factors" in connection with the last sub-paragraph of paragraph 2 of Article XI.	
ARTICLE XIV. EXCEPTIONS TO THE RULE OF NON-DISCRIMINATION	ARTICLE 23. EXCEPTIONS TO THE RULE OF NON-DISCRIMINATION
1. (*a*) The contracting parties recognize that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of non-discriminatory administration of quantitative restrictions and therefore require the exceptional transitional period arrangements set forth in this paragraph. (*b*) A contracting party which applies restrictions under Article XII may in the use of such restrictions, deviate from the provisions of Article XII in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that contracting party may at that time apply under Article XIV of the Articles of Agreement of the International Monetary Fund, or under an analogous provision of a special exchange agreement entered into pursuant to paragraph 6 of Article XV.	1. (*a*) The Members recognize that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of non-discriminatory administration of quantative restrictions and therefore require the exceptional transitional period arrangements set forth in this paragraph. (*b*) A Member which applies restrictions under Article 21 may, in the use of such restrictions, deviate from the provisions of Article 22 in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that Member may at that time apply under Article XIV of the Articles of Agreement of the International Monetary Fund, or under an analogous provision of a special exchange agreement entered into pursuant to paragraph 6 of Article 24.

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(c) A contracting party which is applying restrictions under Article XII and which on March 1, 1948 was applying imports restrictions to safeguard its balance of payments in a manner which deviated from the rules of non-discrimination set forth in Article XIII may, to the extent that such deviation would not have been authorized on that date by sub-paragraph (b), continue so to deviate, and may adapt such deviation to changing circumstances.

(d) Any contracting party which before July 1, 1948 has signed the Protocol of Provisional Application agreed upon at Geneva on October 30, 1947 and which by such signature has provisionally accepted the principles of paragraph 1 of Article 23 of the Draft Charter submitted to the United Nations Conference on Trade and Employment by the Preparatory Committee, may elect, by written notice to the CONTRACTING PARTIES before January 1, 1949, to be governed by the provisions of Annex J of this Agreement, which embodies such principles, in lieu of the provisions of sub-paragraphs (b) and (c) of this paragraph. The provisions of sub-paragraphs (b) and (c) shall not be applicable to contracting parties which have so elected to be governed by the provisions of Annex J; and conversely, the provisions of Annex J shall not be applicable to contracting parties which have not so elected.

(e) The policies applied in the use of import restrictions under sub-paragraphs (b) and (c) or under Annex J in the postwar transitional period shall be designed to promote the maximum development of multilateral trade possible during that period and to expedite the attainment of a balance-of-payments position which will no longer require resort to the provisions of Article XII or to transitional exchange arrangements.

(f) A contracting party may deviate from the provisions of Article XIII, pursuant to sub-paragraphs (b) or (c) of this paragraph or pursuant to Annex J, only so long as it is availing itself of the post-war transitional period arrangements under Article XIV of the Articles of Agreement of the International Monetary Fund, or of an analogous provision of a special exchange agreement entered into under paragraph 6 of Article XV.

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(c) Any Member which is applying restrictions under Article 21 and which on March 1, 1948 was applying import restrictions to safeguard its balance of payments in a manner which deviated from the rules of non-discrimination set forth in Article 22 may, to the extent that such deviation would not have been authorized on that date by subparagraph (b), continue so to deviate, and may adapt such deviation to changing circumstances.

(d) Any Member which before July 1, 1948 signed the Protocol of Provisional Application agreed upon at Geneva on October 30, 1947, and which by such signature has provisionally accepted the principles of paragraph 1 of Article 23 of the Draft Charter submitted to the United Nations Conference on Trade and Employment by the Preparatory Committee, may elect, by written notice to the Interim Commission of the International Trade Organization or to the Organization before January 1, 1949, to be governed by the provisions of Annex K of this Charter, which embodies such principles, in lieu of the provisions of sub-paragraphs (b) and (c) of this paragraph. The provisions of sub-paragraphs (b) and (c) shall not be applicable to Members which have so elected to be governed by the provisions of Annex K; and conversely, the provisions of Annex K shall not be applicable to Members which have not so elected.

(e) The policies applied in the use of import restrictions under sub-paragraphs (b) and (c) or under Annex K in the post-war transitional period shall be designed to promote the maximum development of multilateral trade possible during that period and to expedite the attainment of a balance-of-payments position which will no longer require resort to the provisions of Article 21 or to transitional exchange arrangements.

(f) A Member may deviate from the provisions of Article 22, pursuant to sub-paragraphs (b) or (c) of this paragraph or pursuant to Annex K, only so long as it is availing itself of the post-war transitional period arrangements under Article XIV of the Articles of Agreement of the International Monetary Fund, or of an analogous provision of a special exchange agreement entered into under paragraph 6 of Article 24.

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(*g*) Not later than March 1, 1950 (three years after the date on which the International Monetary Fund began operations) and in each year thereafter, the CONTRACTING PARTIES shall report on any action still being taken by contracting parties under sub-paragraphs (*b*) and (*c*) of this paragraph or under Annex J. In March 1952, and in each year thereafter, any contracting party still entitled to take action under the provisions of sub-paragraph (*c*) or of Annex J shall consult the CONTRACTING PARTIES as to any deviations from Article XIII still in force pursuant to such provisions and as to its continued resort to such provisions. After March 1, 1952 any action under Annex J going beyond the maintenance in force of deviations on which such consultation has taken place and which the CONTRACTING PARTIES have not found unjustifiable, or their adaptation to changing circumstances, shall be subject to any limitations of a general character which the CONTRACTING PARTIES may prescribe in the light of the contracting party's circumstances.	(*g*) Not later than March 1, 1950 (three years after the date on which the Internatinoal Monetary Fund began operations) and in each year thereafter, the Organization shall report on any action still being taken by Members under sub-paragraphs (*b*) and (*c*) of this paragraph or under Annex K. In March 1952, and in each year thereafter, any Member still entitled to take action under the provisions of sub-paragraph (*c*) or of Annex K shall consult the Organization as to any deviations from Article 22 still in force pursuant to such provisions and as to its continued resort to such provisions. After March 1, 1952 any action under Annex K going beyond the maintenance in force of deviations on which such consultation has taken place and which the Organization has not found unjustifiable, or their adaptation to changing circumstances, shall be subject to any limitations of a general character which the Organization may prescribe in the light of the Member's circumstances.
(*h*) The CONTRACTING PARTIES may, if they deem such action necessary in exceptional circumstances, make representations to any contracting party entitled to take action under the provisions of subparagraph (*c*) that conditions are favourable for the termination of any particular deviation from the provisions of Article XIII, or for the general abandonment of deviations, under the provisions of that subparagraph. After March 1, 1952, the CONTRACTING PARTIES may make such representations, in exceptional circumstances, to any contracting party entitled to take action under Annex J. The contracting party shall be given a suitable time to reply to such representations. If the CONTRACTING PARTIES find that the contracting party persists in unjustifiable deviation from the provisions of Article XIII, the contracting party shall, within sixty days, limit or terminate such deviations as the CONTRACTING PARTIES may specify.	(*h*) The Organization may, if it deems such action necessary in exceptional circumstances, make representations to any Member entitled to take action under the provisions of sub-paragraph (*c*) that conditions are favourable for the termination of any particular deviation from the provisions of Article 22, or for the general abandonment of deviations, under the provisions of that sub-paragraph. After March 1, 1952, the Organization may make such representations, in exceptional circumstances, to any Member entitled to take action under Annex K. The Member shall be given a suitable time to reply to such representations. If the Organization finds that the Member persists in unjustifiable deviation from the provisions of Article 22, the Member shall, within sixty days, limit or terminate such deviations as the Organization may specify.
2. Whether or not its transitional period arrangements have terminated pursuant to paragraph 1 (*f*), a contracting party which is applying import restrictions under Article XII may, with the consent of the CONTRACTING PARTIES, temporarily deviate from the provisions of Article XIII in respect of a small part of its external trade where the benefits to the contracting party or contracting parties concerned substantially out-	2. Whether or not its transitional period arrangements have terminated pursuant to paragraph 1 (*f*), a Member which is applying import restrictions under Article 21 may, with the consent of the Organization, temporarily deviate from the provisions of Article 22 in respect of a small part of its external trade where the benefits to the Member or Members concerned substantially outweigh any injury which may result to

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weigh any injury which may result to the trade of other contracting parties.

3. The provisions of Article XIII shall not preclude restrictions in accordance with the provisions of Article XII which either

(*a*) are applied against imports from other countries, but not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of Article XIII, or

(*b*) assist, in the period until December 31, 1951, by measures not involving substantial departure from the provisions of Article XIII, another country whose economy has been disrupted by war.

4. A contracting party applying import restrictions under Article XII shall not be precluded by Articles XI to XV, inclusive, of this Agreement from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from the provisions of Article XIII.

5. A contracting party shall not be precluded by Articles XI to XV, inclusive, of this Agreement from applying quantitative restrictions.

(*a*) having equivalent effect to exchange restrictions authorized under Section 3 (*b*) of Article VII of the Articles of Agreement of the International Monetary Fund; or

(*b*) under the preferential arrangement provided for in Annex A of this Agreement, pending the outcome of the negotiations referred to therein.

AD ARTICLE XIV

(From Annex I)

Paragraph 1 (g)

The provisions of paragraph 1 (*g*) shall not authorize the CONTRACTING PARTIES to require that the procedure of consultation be followed for individual transactions unless the transaction is of so large a scope as to constitute an act of general policy. In that event, the CONTRACTING PARTIES shall, if the contracting party so requests, consider the transaction, not individually, but in relation to the contracting party's policy regarding imports of the product in question taken as a whole.

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the trade of other Members.

3. The provisions of Article 22 shall not preclude restrictions in accordance with the provisions of Article 21 which either

(*a*) are applied against imports from other countries, but not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of Article 22, or

(*b*) assist, in the period until December 31, 1951, by measures not involving substantial departure from the provisions of Article 22, another country whose economy has been disrupted by war.

4. A Member applying import restrictions under Article 21 shall not be precluded by this Section from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from the provisions of Article 22.

5. A Member shall not be precluded by this Section from applying quantitative restrictions

(*a*) having equivalent effect to exchange restrictions authorized under Section 3 (*b*) of Article VII of the Articles of Agreement of the International Monetary Fund; or

(*b*) under the preferential arrangements provided for in Annex A of this Charter, pending the outcome of the negotiations referred to therein.

AD ARTICLE 23

(From Annex P)

Paragraph 1 (g)

The provisions of paragraph 1 (*g*) shall not authorize the Organization to require that the procedure of consultation be followed for individual transactions unless the transaction is of so large a scope as to constitute an act of general policy. In that event, the Organization shall, if the Member so requests, consider the transaction, not individually, but in relation to the Member's policy regarding imports of the product in question taken as a whole.

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Paragraph 2

One of the situations contemplated in paragraph 2 is that of a contracting party holding balances acquired as a result of current transactions which it finds itself unable to use without a measure of discrimination.

ANNEX J. *Exceptions to the Rule of Non-discrimination*

(Applicable to contracting parties who so elect, in accordance with paragraph 1 (*d*) of Article XIV, in lieu of paragraphs 1 (*b*) and 1 (*c*) of Article XIV.)

1. (*a*) A contracting party applying import restrictions under Article XII may relax such restrictions in a manner which departs from the provisions of Article XIII to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of paragraphs 3 (*a*) and 3 (*b*) of Article XII if its restrictions were fully consistent with the provisions of Article XIII; *Provided* that

(i) levels of delivered prices for products so imported are not established substantially higher than those ruling for comparable goods regularly available from other contracting parties, and that any excess of such price levels for products so imported is progressively reduced over a reasonable period;

(ii) the contracting party taking such action does not do so as part of any arrangement by which the gold or convertible currency which the contracting party currently receives directly or indirectly from its exports to other contracting parties not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain;

(iii) Such action does not cause unnecessary damage to the commercial or economic interests of any other contracting party;

(*b*) Any contracting party taking action under this paragraph shall observe the principles of sub-paragraph (*a*). A contracting party shall desist from transactions which prove to be inconsistent with that sub-paragraph but the contracting party shall not be required to satisfy itself, when it is not practicable to do so, that the requirements of that sub-paragraph are fulfilled in respect of individual transactions.

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Paragraph 2

One of the situations contemplated in paragraph 2 is that of a Member holding balances acquired as a result of current transactions which it finds itself unable to use without a measure of discrimination.

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ANNEX K. EXCEPTIONS TO THE RULE OF NON-DISCRIMINATION

(Applicable to Members who so elect, in accordance with paragraph 1 (*d*) of Article 23, in lieu of paragraphs 1 (*b*) and 1 (*c*) of Article 23.)

1. (*a*) A Member applying import restrictions under Article 21 may relax such restrictions in a manner which departs from the provisions of Article 22 to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of paragraphs 3 (*a*) and 3 (*b*) of Article 21 if its restrictions were fully consistent with the provisions of Article 22; *Provided* that

(i) levels of delivered prices for products so imported are not established substantially higher than those ruling for comparable goods regularly available from other Member countries, and that any excess of such price levels for products so imported is progressively reduced over a reasonable period;

(ii) the Member taking such action does not do so as part of any arrangement by which the gold or convertible currency which the Member currently receives directly or indirectly from its exports to other Members not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain;

(iii) such action does not cause unnecessary damage to the commercial or economic interests of any other Member, including interests under Articles 3 and 9.

(*b*) Any Member taking action under this paragraph shall observe the principles of sub-paragraph (*a*). A Member shall desist from transactions which prove to be inconsistent with that subparagraph but the Member shall not be required to satisfy itself, when it is not practicable to do so, that the requirements of that sub-paragraph are fulfilled in respect of individual transactions.

2. Any contracting party taking action under paragraph 1 of this Annex shall keep the CONTRACTING PARTIES regularly informed regarding such action and shall provide such available relevant information as the CONTRACTING PARTIES may request.

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2. Any Member taking action under paragraph 1 of this Annex shall keep the Organization regularly informed regarding such action and shall provide such available relevant information as the Organization may request.

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3. If at any time the CONTRACTING PARTIES find that import restrictions are being applied by a contracting party in a discriminatory manner inconsistent with the exceptions provided for under paragraph 1 of this Annex, the contracting party shall, within sixty days, remove the discrimination or modify it as specified by the CONTRACTING PARTIES; *Provided* that any action under paragraph 1 of this Annex, to the extent that it has been approved by the CONTRACTING PARTIES at the request of a contracting party under a procedure analogous to that of paragraph 4 (*c*) of Article XII, shall not be open to challenge under this paragraph or under paragraph 4 (*d*) of Article XII on the ground that it is inconsistent with the provisions of Article XIII.

INTERPRETATIVE NOTE TO ANNEX J

It is understood that the fact that a contracting party is operating under the provisions of Part II (*a*) of Article XX does not preclude that contracting party from operation under this Annex, but that the provisions of Article XIV (including this Annex) do not in any way limit the rights of contracting parties under Part II (*a*) of Article XX.

ARTICLE XV. EXCHANGE ARRANGEMENTS

1. The CONTRACTING PARTIES shall seek co-operation with the International Monetary Fund to the end that the CONTRACTING PARTIES and the Fund may pursue a co-ordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the CONTRACTING PARTIES.

2. In all cases in which the CONTRACTING PARTIES are called upon to consider or deal with problems concerning monetary reserves, balances of payments or foreign exchange arrangements, they shall consult fully with the International Monetary Fund. In such consultation, the CONTRACTING PARTIES shall accept all findings of statistical and other facts presented by the Fund relating to foreign exchange, monetary reserves and balances of payments, and shall accept the determination of the Fund as to whether action by a contracting party in exchange matters is in accordance

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3. If at any time the Organization finds that import restrictions are being applied by a Member in a discriminatory manner inconsistent with the exceptions provided for under paragraph 1 of this Annex, the Member shall, within sixty days, remove the discrimination or modify it as specified by the Organization; *Provided* that any action under paragraph 1 of this Annex, to the extent that it has been approved by the Organization at the request of a Member under a procedure analogous to that of paragraph 5 (*c*) of Article 21, shall not be open to challenge under this paragraph or under paragraph 5 (*d*) of Article 21 on the ground that it is inconsistent with the provisions of Article 22.

AD ANNEX K

(From Annex P)

It is understood that the fact that a Member is operating under the provisions of paragraph 1 (*b*) (i) of Article 45 does not preclude that Member from operation under this Annex, but that the provisions of Article 23 (including this Annex) do not in any way limit the rights of Members under paragraph 1 (*b*) (i) of Article 45.

ARTICLE 24. RELATIONSHIP WITH THE INTERNATIONAL MONETARY FUND AND EXCHANGE ARRANGEMENTS

1. The Organization shall seek cooperation with the International Monetary Fund to the end that the Organization and the Fund may pursue a coordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the Organization.

2. In all cases in which the Organization is called upon to consider or deal with problems concerning monetary reserves, balance of payments or foreign exchange arrangements, the Organization shall consult fully with the Fund. In such consultation, the Organization shall accept all findings of statistical and other facts presented by the Fund relating to foreign exchange, monetary reserves and balance of payments, and shall accept the determination of the Fund whether action by a Member with respect to exchange matters is in accordance with the Articles of Agree-

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with the Articles of Agreement of the International Monetary Fund, or with the terms of a special exchange agreement between that contracting party and the CONTRACTING PARTIES. The CONTRACTING PARTIES, in reaching their final decision in cases involving the criteria set forth in paragraph 2 (*a*) of Article XII, shall accept the determination of the Fund as to what constitutes a serious decline in the contracting party's monetary reserves, a very low level of its monetary reserves or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases.

3. The CONTRACTING PARTIES shall seek agreement with the Fund regarding procedures for consultation under paragraph 2 of this Article.

4. Contracting parties shall not, by exchange action, frustrate the intent of the provisions of this Agreement, nor, by trade action, the intent of the provisions of the Articles of Agreement of the International Monetary Fund.

5. If the CONTRACTING PARTIES consider, at any time, that exchange restrictions on payments and transfers in connection with imports are being applied by a contracting party in a manner inconsistent with the exceptions provided for in this Agreement for quantitative restrictions, they shall report thereon to the Fund.

6. Any contracting party which is not a member of the Fund shall, within a time to be determined by the CONTRACTING PARTIES after consultation with the Fund, become a member of the Fund, or, failing that, enter into a special exchange agreement with the CONTRACTING PARTIES. A contracting party which ceases to be a member of the Fund shall forthwith enter into a special exchange agreement with the CONTRACTING PARTIES. Any special exchange agreement entered into by a contracting party under this paragraph shall thereupon become part of its obligations under this Agreement.

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ment of the International Monetary Fund, or with the terms of a special exchange agreement entered into between that Member and the Organization pursuant to paragraph 6 of this Article. When the Organization is examining a situation in the light of the relevant considerations under all the pertinent provisions of Article 21 for the purpose of reaching its final decision in cases involving the criteria set forth in paragraph 3 (*a*) of that Article, it shall accept the determination of the Fund as to what constitutes a serious decline in the Member's monetary reserves, a very low level of its monetary reserves or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases.

3. The Organization shall seek agreement with the Fund regarding procedures for consultation under paragraph 2 of this Article. Any such agreement, other than informal arrangements of a temporary or administrative character, shall be subject to confirmation by the Conference.

4. Members shall not, by exchange action, frustrate the intent of the provisions of this Section, nor, by trade action, the intent of the provisions of the Articles of Agreement of the International Monetary Fund.

5. If the Organization considers, at any time, that exchange restrictions on payments and transfers in connection with imports are being applied by a Member in a manner inconsistent with the provisions of this Section with respect to quantitative restrictions, it shall report thereon to the Fund.

6. (*a*) Any Member of the Organization which is not a member of the Fund shall, within a time to be determined by the Organization after consultation with the Fund, become a member of the Fund or, failing that, enter into a special exchange agreement with the Organization. A Member of the Organization which ceases to be a member of the Fund shall forthwith enter into a special exchange agreement with the Organization. Any special exchange agreement entered into by a Member under this sub-paragraph shall thereupon become part of its obligations under this Charter.

(*b*) Any such agreement shall provide to the satisfaction of the Organization that the objectives of this Charter will not be frustrated as a result of action with respect to exchange matters by the Member in question.

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7. (*a*) A special exchange agreement between a contracting party and the CONTRACTING PARTIES under paragraph 6 of this Article shall provide to the satisfaction of the CONTRACTING PARTIES that the objectives of this Agreement will not be frustrated as a result of action in exchange by the contracting party in question.

(*b*) The terms of any such agreement shall not impose obligations on the contracting party in exchange matters generally more restrictive than those imposed by the Articles of Agreement of the International Monetary Fund on members of the Fund.

8. A contracting party which is not a member of the Fund shall furnish such information within the general scope of Section 5 of Article VIII of the Articles of Agreement of the International Monetary Fund as the CONTRACTING PARTIES may require in order to carry out their functions under this Agreement.

9. Nothing in this Agreement shall preclude:

(*a*) the use by a contracting party of exchange controls or exchange restrictions in accordance with the Articles of Agreement of the International Monetary Fund or with that contracting party's special exchange agreement with the CONTRACTING PARTIES, or

(*b*) the use by a contracting party of restrictions or controls on imports or exports, the sole effect of which, additional to the effects permitted under Articles XI, XII, XIII and XIV, is to make effective such exchange controls or exchange restrictions.

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(*c*) Any such agreement shall not impose obligations on the Member with respect to exchange matters generally more restrictive than those imposed by the Articles of Agreement of the International Monetary Fund on members of the Fund.

(*d*) No Member shall be required to enter into any such agreement so long as it uses solely the currency of another Member and so long as neither the Member nor the country whose currency is being used maintains exchange restrictions. Nevertheless, if the Organization at any time considers that the absence of a special exchange agreement may be permitting action which tends to frustrate the purposes of any of the provisions of this Charter, it may require the Member to enter into a special exchange agreement in accordance with the provisions of this paragraph. A Member of the Organization which is not a member of the Fund and which has not entered into a special exchange agreement may be required at any time to consult with the Organization on any exchange problem.

7. A Member which is not a member of the Fund, whether or not it has entered into a special exchange agreement, shall furnish such information within the general scope of Section 5 of Article VIII of the Articles of Agreement of the International Monetary Fund as the Organization may require in order to carry out its functions under this Charter.

8. Nothing in this Section shall preclude:

(*a*) the use by a Member of exchange controls or exchange restrictions in accordance with the Articles of Agreement of the International Monetary Fund or with that Member's special exchange agreement with the Organization, or.

(*b*) the use by a Member of restrictions or controls on imports or exports, the sole effect of which, in addition to the effects permitted under Articles 20, 21, 22 and 23, is to make effective such exchange controls or exchange restrictions.

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AD ARTICLE XV

(From Annex I)

Paragraph 4

The word "frustrate" is intended to indicate, for example, that infringements of the letter of any Article of this Agreement by exchange action shall not be regarded as a violation of that Article if, in practice, there is no appreciable departure from the intent of the Article. Thus, a contracting party which, as part of its exchange control operated in accordance with the Articles of Agreement of the International Monetary Fund, requires payment to be received for its exports in its own currency or in the currency of one or more members of the International Monetary Fund will not thereby be deemed to contravene Article XI or Article XIII. Another example would be that of a contracting party which specifies on an import license the country from which the goods may be imported, for the purpose not of introducing any additional element of discrimination in its import licensing system but of enforcing permissible exchange controls.

ARTICLE XVI. SUBSIDIES

If any contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports of any product from, or to reduce imports of any product into, its territory, it shall notify the CONTRACTING PARTIES in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary. In any case in which it is determined that serious prejudice to the interests of any other contracting party is caused or threatened by any such subsidization, the contracting party granting the subsidy shall, upon request, discuss with the other contracting party or parties concerned, or with the CONTRACTING PARTIES, the possibility of limiting the subsidization.

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AD ARTICLE 24

(From Annex P)

Paragraph 8

For example, a Member which, as part of its exchange control operated in accordance with the Articles of Agreement of the International Monetary Fund, requires payment to be received for its exports in its own currency or in the currency of one or more members of the Fund would not thereby be deemed to contravene the provisions of Articles 20 or 22. Another example would be that of a Member which specifies on an import license the country from which the goods may be imported for the purpose, not of introducing any additional element of discrimination in its import licensing system, but of enforcing permissible exchange controls.

ARTICLE 25. SUBSIDIES IN GENERAL

If any Member grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to maintain or increase exports of any product from, or to reduce, or prevent an increase in, imports of any product into its territory, the Member shall notify the Organization in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary. In any case in which a Member considers that serious prejudice to its interests is caused or threatened by any such subsidization, the Member granting the subsidy shall, upon request, discuss with the other Member or Members concerned, or with the Organization, the possibility of limiting the subsidization.

ARTICLE 26. ADDITIONAL PROVISIONS ON EXPORT SUBSIDIES

1. No Member shall grant, directly or indirectly, any subsidy on the export of any product, or establish or maintain any other system, which subsidy or

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system results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, due allowance being made for differences in the conditions and terms of sale, for difference in taxation, and for other differences affecting price comparability.

2. The exemption of exported products from duties or taxes imposed in respect of like products when consumed domestically, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be in conflict with the provisions of paragraph 1. The use of the proceeds of such duties or taxes to make payments to domestic producers in general of those products shall be considered as a case under Article 25.

3. Members shall give effect to the provisions of paragraph 1 at the earliest practicable date but not later than two years from the day on which this Charter enters into force. If any Member considers itself unable to do so in respect of any particular product or products, it shall, at least three months before the expiration of such period, give notice in writing to the Organization, requesting a specific extension of the period. Such notice shall be accompanied by a full analysis of the system in question and the circumstances justifying it. The Organization shall then determine whether the extension requested should be made and, if so, on what terms.

4. Notwithstanding the provisions of paragraph 1, any Member may subsidize the exports of any product to the extent and for such time as may be necessary to offset a subsidy granted by a non-Member affecting the Member's exports of the product. However, the Member shall, upon the request of the Organization or of any other Member which considers that its interests are seriously prejudiced by such action, consult with the Organization or with that Member, as appropriate, with a view to reaching a satisfactory adjustment of the matter.

ARTICLE 27. SPECIAL TREATMENT OF PRIMARY COMMODITIES

1. A system for the stabilization ofves, the domestic price or of the return to domestic producers of ap rimary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for ex-

port at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be considered not to involve a subsidy on export within the meaning of paragraph 1 of Article 26, if the Organization determines that

(*a*) the system has also resulted, or is so designed as to result, in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market; and

(*b*) the system is so operated, or is designed so to operate, either because of the effective regulation of production or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other Members.

2. Any Member granting a subsidy in respect of a primary commodity shall co-operate at all times in efforts to negotiate agreements, under the procedures set forth in Chapter VI, with regard to that commodity.

3. In any case involving a primary commodity, if a Member considers that its interests would be seriously prejudiced by compliance with the provisions of Article 26, or if a Member considers that its interests are seriously prejudiced by the granting of any form of subsidy, the procedures set forth in Chapter VI may be followed. The Member which considers that its interests are thus seriously prejudiced shall, however, be exempt provisionally from the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, but shall be subject to the provisions of Article 28.

4. No Member shall grant a new subsidy or increase an existing subsidy affecting the export of a primary commodity, during a commodity conference called for the purpose of negotiating an intergovernmental control agreement for the commodity concerned unless the Organization concurs, in which case such new or additional subsidy shall be subject to the provisions of Article 28.

5. If the measures provided for in Chapter VI have not succeeded, or do not promise to succeed, within a reasonable period of time, or if the conclusion of a commodity agreement is not an appropriate solution, any Member which considers that its interests are seriously prejudiced shall not be subject to the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, but shall be subject to the provisions of Article 28.

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ARTICLE 28. UNDERTAKING REGARDING STIMULATION OF EXPORTS OF PRIMARY COMMODITIES

1. Any Member granting any form of subsidy, which operates directly or indirectly to maintain or increase the export of any primary commodity from its territory, shall not apply the subsidy in such a way as to have the effect of maintaining or acquiring for that Member more than an equitable share of world trade in that commodity.

2. As required under the provisions of Article 25, the Member granting such subsidy shall promptly notify the Organization of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected commodity exported from its territory, and of the circumstances making the subsidization necessary. The Member shall promptly consult with any other Member which considers that serious prejudice to its interests is caused or threatened by the subsidization.

3. If, within a reasonable period of time, no agreement is reached in such consultation, the Organization shall determine what constitutes an equitable share of world trade in the commodity concerned and the Member granting the subsidy shall conform to this determination.

4. In making the determination referred to in paragraph 3, the Organization shall take into account any factors which may have affected or may be affecting world trade in the commodity concerned, and shall have particular regard to:

(*a*) the Member country's share of world trade in the commodity during a previous representative period;

(*b*) whether the Member country's share of world trade in the commodity is so small that the effect of the subsidy on such trade is likely to be of minor significance;

(*c*) the degree of importance of the external trade in the commodity to the economy of the Member country granting, and to the economies of the Member countries materially affected by, the subsidy;

(*d*) the existence of price stabilization systems conforming to the provisions of paragraph 1 of Article 27;

(*e*) the desirability of facilitating the gradual expansion of production for export in those areas able to satisfy world market requirements of the commodity concerned in the most effective and economic manner, and therefore of limiting any subsidies or other measures which make that expansion difficult.

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ARTICLE XVII. NON-DISCRIMINATORY TREATMENT ON THE PART OF STATE-TRADING ENTERPRISES

1. (*a*) Each contracting party undertakes that if it establishes or maintains a state enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases or sales involving either imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in this Agreement for governmental measures affecting imports or exports by private traders.

(*b*) The provisions of sub-paragraph (*a*) of this paragraph shall be understood to require that such enterprises shall, having due regard to the other provisions of this Agreement, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale, and shall afford the enterprises of the other contracting parties adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales.

(*c*) No contracting party shall prevent any enterprise (whether or not an enterprise described in sub-paragraph (*a*) of this paragraph) under its jurisdiction from acting in accordance with the principles of sub-paragraphs (*a*) and (*b*) of this paragraph.

2. The provisions of paragraph 1 of this Article shall not apply to imports of products for immediate or ultimate consumption in governmental use and not otherwise for re-sale or for use in the production of goods for sale. With respect to such imports, each contracting party shall accord to the trade of the other contracting parties fair and equitable treatment.

AD ARTICLE XVII

(From Annex I)

Paragraph 1

The operations of Marketing Boards, which are established by contracting parties and are engaged in purchasing or selling, are subject to the provisions of sub-paragraphs (*a*) and (*b*).

The activities of Marketing Boards which are established by contracting parties and which do not purchase or

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ARTICLE 29. NON-DISCRIMINATORY TREATMENT

1. (*a*) Each Member undertakes that if it establishes or maintains a state enterprise, wherever located, or grants to any enterprise formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases and sales involving either imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in this Charter for governmental measures affecting imports or exports by private traders.

(*b*) The provisions of sub-paragraph (*a*) shall be understood to require that such enterprises shall, having due regard to the other provisions of this Charter, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale, and shall afford the enterprises of the other Member countries adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales.

(*c*) No Member shall prevent any enterprise (whether or not an enterprise described in subparagraph (*a*)) under its jurisdiction from acting in accordance with the principles of sub-paragraphs (*a*) and (*b*).

2. The provisions of paragraph 1 shall not apply to imports of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale. With respect to such imports, and with respect to the laws, regulations and requirements referred to in paragraph 8 (*a*) of Article 18, each Member shall accord to the trade of the other Members fair and equitable treatment.

AD ARTICLE 29

(From Annex P)

Paragraph 1

Note 1.—Different prices for sales and purchases of products in diffeernt markets are not precluded by the provisions of Article 29, provided that such different prices are charged or paid for commercial reasons, having regard to different conditions, including supply and demand, in such markets.

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sell but lay down regulations covering private trade are governed by the relevant Articles of this Agreement.

The charging by a state enterprise of different prices for its sales of a product in different markets is not precluded by the provisions of this Article, provided that such different prices are charged for commercial reasons, to meet conditions of supply and demand in export markets.

Paragraph 1 (a)

Governmental measures imposed to ensure standards of quality and efficiency in the operation of external trade, or privileges granted for the exploitation of national natural resources but which do not empower the government to exercise control over the trading activities of the enterprise in question, do not constitute "exclusive or special privileges".

Paragraph 1 (b)

A country receiving a "tied loan" is free to take this loan into account as a "commercial consideration" when purchasing requirements abroad.

Paragraph 2

The term "goods" is limited to products as understood in commercial practice, and is not intended to include the purchase or sale of services.

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Note 2.—Sub-paragraphs (*a*) and (*b*) of paragraph 1 shall not be construed as applying to the trading activities of enterprises to which a Member has granted licences or other special privileges

(*a*) solely to ensure standards of quality and efficiency in the conduct of its external trade; or

(*b*) for the exploitation of its natural resources;

provided that the Member does not thereby establish or exercise effective control or direction of the trading activities of the enterprises in question, or create a monopoly whose trading activities are subject to effective governmental control or direction.

ARTICLE 30. MARKETING ORGANIZATIONS

If a Member establishes or maintains a marketing board, commission or similar organization, the Member shall be subject:

(*a*) with respect to purchases or sales by any such organization, to the provisions of paragraph 1 of Article 29;

(*b*) with respect to any regulations of any such organization governing the operations of private enterprises, to the other relevant provisions of this Charter.

ARTICLE 31. EXPANSION OF TRADE

1. If a Member establishes, maintains or authorizes, formally or in effect, a monopoly of the importation or exportation of any product, the Member shall, upon the request of any other Member or Members having a substantial interest in trade with it in the product concerned, negotiate with such other Member or Members in the manner provided for under Article 17 in respect of tariffs, and subject to all the provisions of this Charter with respect to such tariff negotiations, with the object of achieving:

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(*a*) in the case of an export monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic users of the monopolized product, or designed to assure exports of the monopolized product in adequate quantities at reasonable prices;

(*b*) in the case of an import monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic producers of the monopolized product, or designed to relax any limitation on imports which is comparable with a limitation made subject to negotiation under other provisions of this Chapter.

2. In order to satisfy the requirements of paragraph 1 (*b*), the Member establishing, maintaining or authorizing a monopoly shall negotiate:

(*a*) for the establishment of the maximum import duty that may be applied in respect of the product concerned; or

(*b*) for any other mutually satisfactory arrangement consistent with the provisions of this Charter, if it is evident to the negotiating parties that to negotiate a maximum import duty under sub-paragraph (*a*) of this paragraph is impracticable or would be ineffective for the achievement of the objectives of paragraph 1; any Member entering into negotiations under this sub-paragraph shall afford to other interested Members an opportunity for consultation.

3. In any case in which a maximum import duty is not negotiated under paragraph 2 (*a*), the Member establishing, maintaining or authorizing the import monopoly shall make public, or notify the Organization of, the maximum import duty which it will apply in respect of the product concerned.

Balance of Article given opposite of Article II of GATT)

5. With regard to any product to which the provisions of this Article apply, the monopoly shall, wherever this principle can be effectively applied and subject to the other provisions of this Charter, import and offer for sale such quantities of the product as will be sufficient to satisfy the full domestic demand for the imported product, account being taken of any rationing to consumers of the imported and like domestic product which may be in force at that time.

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6. In applying the provisions of this Article, due regard shall be had for the fact that some monopolies are established and operated mainly for social, cultural, humanitarian or revenue purposes.

7. This Article shall not limit the use by Members of any form of assistance to domestic producers permitted by other provisions of this Charter.

AD ARTICLE 31

(from Annex P)

Paragraphs 2 and 4

The maximum import duty referred to in paragraphs 2 and 4 would cover the margin which has been negotiated or which has been published or notified to the Organization, whether or not collected, wholly or in part, at the custom house as an ordinary customs duty.

Paragraph 4

With reference to the second proviso, the method and degree of adjustment to be permitted in the case of a primary commodity which is the subject of a domestic price stabilization arrangement should be normally a matter for agreement at the time of the negotiations under paragraph 2 (*a*).

ARTICLE 32. LIQUIDATION OF NON-COMMERCIAL STOCKS

1. If a Member holding stocks of any primary commodity accumulated for non-commercial purposes should liquidate such stocks, it shall carry out the liquidation, as far as practicable, in a manner that will avoid serious disturbance to world markets for the commodity concerned.

2. Such Member shall:

(*a*) give not less than four months' public notice of its intention to liquidate such stocks; or

(*b*) give not less than four months' prior notice to the Organization of such intention.

3. Such Member shall, at the request of any Member which considers itself substantially interested, consult as to the best means of avoiding substantial injury to the economic interests of producers and consumers of the primary commodity in question. In cases where the interests of several Members might be substantially affected, the Organization may participate in the consultations, and the Member holding the stocks shall give due consideration to its recommendations.

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ARTICLE XVIII. GOVERNMENTAL ASSISTANCE TO ECONOMIC DEVELOPMENT AND RECONSTRUCTION

1. The contracting parties recognize that special governmental assistance may be required to promote the establishment, development or reconstruction of particular industries or branches of agriculture, and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified. At the same time they recognize that an unwise use of such measures would impose undue burdens on their own economies and unwarranted restrictions on international trade, and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

2. The CONTRACTING PARTIES and the contracting parties concerned shall preserve the utmost secrecy in respect of matters arising under this article.

A

3. If a contracting party, in the interest of its economic development or reconstruction, or for the purpose of increasing a most-favoured-nation rate of duty in connexion with the establishment of a new preferential agreement in accordance with the provisions of paragraph 3 of article I, considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with an obligation which the contracting party has assumed under article II of this Agreement, but which would not conflict with other provisions in this Agreement, such contracting party

(*a*) Shall enter into direct negotiations with all the other contracting parties. The appropriate Schedules to this Agreement shall be amended in accordance with any agreement resulting from such negotiations; or

(*b*) Shall initially or may, in the event of failure to reach agreement under sub-paragraph (*a*), apply to the CONTRACTING PARTIES. The CONTRACTING PARTIES shall determine the contracting party or parties materially affected by the proposed measure and shall sponsor negotiations between such

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4. The provisions of paragraphs 2 and 3 shall not apply to routine disposal of supplies necessary for the rotation of stocks to avoid deterioration.

ARTICLE 13. GOVERNMENTAL ASSISTANCE TO ECONOMIC DEVELOPMENT AND RECONSTRUCTION

1. The Members recognize hat special governmental assistance may be required to promote the establishment, development or reconstruction of particular industries or branches of agriculture, and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified. At the same time they recognize that an unwise use of such measures would impose undue burdens on their own economies and unwarranted restrictions on international trade, and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

2. The Organization and the Members concerned shall preserve the utmost secrecy in respect of matters arising under this Article.

A

3. If a Member, in the interest of its economic development or reconstruction, or for the purpose of increasing a most-favored-nation rate of duty in connection with the establishment of a new preferential agreement in accordance with the provisions of Article 15, considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with an obligation which the Member has assumed in respect of any product through negotiations with any other Member or Members pursuant to Chapter IV but which would not conflict with that Chapter, such Member

(*a*) shall enter into direct negotiations with all the other Members which have contractual rights. The Members shall be free to proceed in accordance with the terms of any agreement resulting from such negotiations, provided that the Organization is informed thereof; or

(*b*) shall initially or may, in the event of failure to reach agreement under subparagraph (*a*), apply to the Organization. The Organization shall determine, from among Members which have contractual rights, the Member or Members materially affected by the proposed measure and shall sponsor negotiations

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contracting party or parties and the applicant contracting party with a view to obtaining expeditious and substantial agreement. The CONTRACTING PARTIES shall establish and communicate to the contracting parties concerned a time schedule for such negotiations, following as far as practicable any time schedule which may have been proposed by the applicant contracting party. The contracting parties shall commence and proceed continuously with such negotiations in accordance with the time schedule established by the CONTRACTING PARTIES. At the request of a contracting party, the CONTRACTING PARTIES may, where they concur in principle with the proposed measure, assist in the negotiations. Upon substantial agreement being reached, the applicant contracting party may be released by the CONTRACTING PARTIES from the obligation referred to in this paragraph, subject to such limitations as may have been agreed upon in the negotiations between the contracting parties concerned.

4. (*a*) If as a result of action initiated under paragraph 3 there should be an increase in imports of any product concerned, including products which can be directly substituted therefor, which if continued would be so great as to jeopardize the establishment, development or reconstruction of the industry or branch of agriculture concerned, and if no preventive measures consistent with the provisions of this Agreement can be found which seem likely to prove effective, the applicant contracting party may, after informing, and when practicable consulting with, the CONTRACTING PARTIES, adopt such other measures as the situation may require, provided that such measures do not restrict imports more than necessary to offset the increase in imports referred to in this sub-paragraph; except in unusual circumstances, such measures shall not reduce imports below the level obtaining in the most recent representative period preceding the date on which the contracting party initiated action under paragraph 3.

(*b*) The CONTRACTING PARTIES shall determine, as soon as practicable, whether any such measures should be continued, discontinued or modified. It shall in any case be terminated as soon as the CONTRACTING PARTIES determine that the negotiations are completed or discontiued.

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between such Member or Members and the applicant Member with a view to obtaining expeditious and substantial agreement. The Organization shall establish and communicate to the Members concerned a time schedule for such negotiations, following as far as practicable any time schedule which may have been proposed by the applicant Member. The Members shall commence and proceed continuously with such negotiations in accordance with the time schedule established by the Organization. At the request of a Member, the Organization may, where it concurs in principle with the proposed measure, assist in the negotiations. Upon substantial agreement being reached, the applicant Member may be released by the Organization from the obligation referred to in this paragraph, subject to such limitations as may have been agreed upon in the negotiations between the Members concerned.

4. (*a*) If as a result of action initiated under paragraph 3, there should be an increase in imports of any product concerned, including products which can be directly substituted therefor, which if continued would be so great as to jeopardize the establishment, development or reconstruction of the industry, or branch of agriculture concerned, and if no preventive measures consistent with the provisions of this Charter can be found which seem likely to prove affective, the applicant Member may, after informing, and when practicable consulting with, the Organization, adopt such other measures as the situation may require, provided that such measures do not restrict imports more than necessary to offset the increase in imports referred to in this sub-paragraph; except in unusual circumstances, such measures shall not reduce imports below the level obtaining in the most recent representative period preceding the date on which the Member initiated action under paragraph 3.

(*b*) The Organization shall determine, as soon as practicable, whether any such measure should be continued, discontinued or modified. It shall in any case be terminated as soon as the Organization determines that the negotiations are completed or discontinued.

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(*c*) It is recognized that the relationships between contracting parties under article II of this Agreement involve reciprocal advantages, and therefore any contracting party whose trade is materially affected by the action may suspend the application to the trade of the applicant contracting party of substantially equivalent obligations or concessions under this Agreement provided that the contracting party concerned has consulted the CONTRACTING PARTIES before taking such action and the CONTRACTING PARTIES do not disapprove.

B

5. In the case of any non-discriminatory measure affecting imports which would apply to any product in respect of which the contracting party has assumed an obligation under article II of this Agreement and which would conflict with any other provision of this Agreement, the provisions of sub-paragraph (*b*) of paragraph 3 shall apply; provided that before granting a release the CONTRACTING PARTIES shall afford adequate opportunity for all contracting parties which they determine to be materially affected to express their views. The provisions of paragraph 4 shall also be applicable in this case.

C

6. If a contracting party in the interest of its economic development or reconstruction considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with the provisions of this Agreement other than article II, but which would not apply to any product in respect of which the contracting party has assumed an obligation under article II, such contracting party shall notify the CONTRACTING PARTIES and shall transmit to the CONTRACTING PARTIES a written statement of the considerations in support of the adoption, for a specified period, of the proposed measure.

7. (*a*) On application by such contracting party the CONTRACTING PARTIES shall concur in the proposed measure and grant the necessary release for a specified period if, having particular regard to the applicant contracting party's need for economic development or reconstruction, it is established that the measure

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(*c*) It is recognized that the contractual relationships referred to in paragraph 3 involve reciprocal advantages, and therefore any Member which has a contractual right in respect of the product to which such action relates, and whose trade is materially affected by the action, may suspend the application to the trade of the applicant Member of substantially equivalent obligations or concessions under or pursuant to Chapter IV, provided that the Member concerned has consulted the Organization before taking such action and the Organization does not disapprove.

B

5. In the case of any non-discriminatory measure affecting imports which would conflict with Chapter IV and which would apply to any product in respect of which the Member has assumed an obligation through negotiations with any other Member or Members pursuant to Chapter IV, the provisions of sub-paragraph (*b*) of paragraph 3 shall apply; *Provided* that before granting a release the Organization shall afford adequate opportunity for all Members which it determines to be materially affected to express their views. The provisions of paragraph 4 shall also be applicable in this case.

C

6. If a Member in the interest of its economic development or reconstruction considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with Chapter IV, but which would not apply to any product in respect of which the Member has assumed an obligation through negotiations with any other Member or Members pursuant to Chapter IV, such Member shall notify the Organization and shall transmit to the Organization a written statement of the considerations in support of the adoption, for a specified period, of the proposed measure.

7. (*a*) On application by such Member the Organization shall concur in the proposed measure and grant the necessary release for a specified period if, having particular regard to the applicant Member's need for economic development or reconstruction, it is established that the measure

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(i) Is designed to protect a particular industry established between 1 January 1939 and 24 March 1948, which was protected during that period of its development by abnormal conditions arising out of the war; or

(ii) Is designed to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, when the external sales of such commodity have been materially reduced as a result of new or increased restrictions imposed abroad; or

(iii) Is necessary in view of the possibilities and resources of the applicant contracting party to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, or for the processing of a by-product of such industry, which would otherwise be wasted, in order to achieve a fuller and more economic use of the applicant contracting party's natural resources and manpower and, in the long run, to raise the standard of living within the territory of the applicant contracting party, and is unlikely to have a harmful effect, in the long run, on international trade; or

(iv) Is unlikely to be more restrictive of international trade than any other practicable and reasonable measure permitted under this Agreement, which could be imposed without undue difficulty, and is the one most suitable for the purpose having regard to the economies of the industry or branch of agriculture concerned and to the applicant contracting party's need for economic development or reconstruction.

The foregoing provisions of this subparagraph are subject to the following condition:

(1) Any proposal by the applicant contracting party to apply any such measure, with or without modification, after the end of the initial period, shall not be subject to the provisions of this paragraph; and

(2) The CONTRACTING PARTIES shall not concur in any measure under the provisions of (i), (ii), or (iii) above, which is likely to cause serious prejudice to exports of a primary commodity on which the economy of the territory of another contracting party is largely dependent.

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(i) is designed to protect a particular industry, established between January 1, 1939 and the date of this Charter, which was protected during that period of its development by abnormal conditions arising out of the war; or

(ii) is designed to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, when the external sales of such commodity have been materially reduced as a result of new or increased restrictions imposed abroad; or

(iii) is necessary, in view of the possibilities and resources of the applicant Member to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, or for the processing of a by-product of such industry, which would otherwise be wasted, in order to achieve a fuller and more economic use of the applicant Member's natural resources and manpower and, in the long run, to raise the standard of living within the territory of the applicant Member, and is unlikely to have a harmful effect, in the long run, on international trade; or

(iv) is unlikely to be more restrictive of international trade than any other practicable and reasonable measure permitted under this Charter, which could be imposed without undue difficulty, and is the one most suitable for the purpose having regard to the economics of the industry or branch of agriculture concerned and to the applicant Member's need for economic development or reconstruction.

The foregoing provisions of this subparagraph are subject to the following conditions:

(1) any proposal by the applicant Member to apply any such measure, with or without modification, after the end of the initial period, shall not be subject to the provisions of this paragraph; and

(2) the Organization shall not concur in any measure under the provisions of (i), (ii) or (iii) above which is likely to cause serious prejudice to exports of a primary commodity on which the economy of another Member country is largely dependent.

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(*b*) The applicant contracting party shall apply any measure permitted under sub-paragraph (*a*) in such a way as to avoid unnecessary damage to the commercial or economic interests of any other contracting party.

8. If the proposed measure does not fall within the provisions of paragraph 7, the contracting party

(*a*) May enter into direct consultations with the contracting party or parties which, in its judgment, would be materially affected by the measure. At the same time, the contracting party shall inform the CONTRACTING PARTIES of such consultations in order to afford them an opportunity to determine whether all materially affected contracting parties are included within the consultations. Upon complete or substantial agreement being reached, the contracting party interested in taking the measure shall apply to the CONTRACTING PARTIES. The CONTRACTING PARTIES shall promptly examine the appplication to ascertain whether the interests of all the materially affected contracting parties have been duly taken into account. If the CONTRACTING PARTIES reach this conclusion, with or without further consultations between the contracting parties concerned, they shall release the applicant contracting party from its obligations under the relevant provision of this Agreement, subject to such limitations as the CONTRACTING PARTIES may impose, or

(*b*) May initially, or in the event of failure to reach complete or substantial agreement under sub-paragraph (*a*), apply to the CONTRACTING PARTIES. The CONTRACTING PARTIES shall promptly transmit the statement submitted under paragraph 6 to the contracting party or parties which are determined by the CONTRACTING PARTIES to be materially affected by the proposed measure. Such contracting party or parties shall, within the time limits prescribed by the CONTRACTING PARTIES, inform them whether, in the light of the anticipated effects of the proposed measure on the economy of the territory of such contracting party or parties, there is any objection to the proposed measure. The CONTRACTING PARTIES shall,

(i) If there is no objection to the proposed measure on the part of the affected contracting party or parties, immediately release the applicant contracting party from its obligations under the relevant provision of this Agreement; or

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(*b*) The applicant Member shall apply any measure permitted under sub-paragraph (*a*) in such a way as to avoid unnecessary damage to the commercial or economic interests of any other Member, including interests under the provisions of Articles 3 and 9.

8. If the proposed measure does not fall within the provisions of paragraph 7, the Member

(*a*) may enter into direct consultations with the Member or Members which, in its judgment, would be materially affected by the measure. At the same time, the Member shall inform the Organization of such consultations in order to afford it an opportunity to determine whether all materially affected Members are included within the consultations. Upon complete or substantial agreement being reached, the Member interested in taking the measure shall apply to the Organization. The Organization shall promptly examine the application to ascertain whether the interests of all the materially affected Members have been duly taken into account. If the Organization reaches this conclusion, with or without further consultations between the Members concerned, it shall release the applicant Member from its obligations under the relevant provision of Chapter IV, subject to such limitations as the Organization may impose; or

(*b*) may initially, or in the event of failure to reach complete or substantial agreement under sub-paragraph (*a*), apply to the Organization. The Organization shall promptly transmit the statement submitted under paragraph 6 to the Member or Members which are determined by the Organization to be materially affected by the proposed measure. Such Member or Members shall, within the time limits prescribed by the Organization, inform it whether, in the light of the anticipated effects of the proposed measure on the economy of such Member country or countries, there is any objection to the proposed measure. The Organization shall,

(i) if there is no objection to the proposed measure on the part of the affected Member or Members, immediately release the applicant Member from its obligations under the relevant provision of Chapter IV; or

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(ii) If there is objection, promptly examine the proposed measure, having regard to the provisions of this Agreement, to the considerations presented by the applicant contracting party and its need for economic development or reconstruction, to the views of the contracting party or parties determined to be materially affected, and to the effect which the proposed measure, with or without modification is likely to have, immediately and in the long run, on international trade, and, in the long run, on the standard of living within the territory of the applicant contracting party. If, as a result of such examination, the CONTRACTING PARTIES concur in the proposed measure, with or without modification, they shall release the applicant contracting party from its obligations under the relevant provision of this Agreement, subject to such limitations as they may impose.	(ii) if there is objection, promptly examine the proposed measure, having regard to the provisions of this Charter, to the considerations presented by the applicant Member and its need for economic development or reconstruction, to the views of the Member or Members determined to be materially affected, and to the effect which the proposed measure, with or without modification, is likely to have, immediately and in the long run, on international trade, and, in the long run, on the standard of living within the territory of the applicant Member. If, as a result of such examination, the Organization concurs in the proposed measure, with or without modification, it shall release the applicant Member from its obligations under the relevant provision of Chapter IV, subject to such limitations as it may impose.
9. If, in anticipation of the concurrence of the CONTRACTING PARTIES in the adoption of a measure referred to in paragraph 6, there should be an increase or threatened increase in the imports of any product concerned, including products which can be directly substituted therefor, so substantial as to jeopardize the establishment, development or reconstruction of the industry or branch of agriculture concerned, and if no preventive measures consistent with this Agreement can be found which seem likely to prove effective, the applicant contracting party may, after informing, and when practicable consulting with, the CONTRACTING PARTIES, adopt such other measures as the situation may require, pending a decision by the CONTRACTING PARTIES on the contracting party's application; provided that such measures do not reduce imports below the level obtaining in the most recent representative period preceding the date on which notification was given under paragraph 6.	9. If, in anticipation of the concurrence of the Organization in the adoption of a measure referred to in paragraph 6, there should be an increase or threatened increase in the imports of any product concerned, including products which can be directly substituted therefor, so substantial as to jeopardize the establishment, development or reconstruction of the industry or branch of agriculture concerned, and if no preventive measures consistent with this Charter can be found which seem likely to prove effective, the applicant Member may, after informing, and when practicable consulting with, the Organization, adopt such other measures as the situation may require, pending a decision by the Organization on the Member's application; *Provided* that such measures do not reduce imports below the level obtaining in the most recent representative period preceding the date on which notification was given under paragraph 6.
10. The CONTRACTING PARTIES shall, at the earliest opportunity but ordinarily within fifteen days after receipt of an application under the provisions of paragraph 7 or sub-paragraphs (*a*) or (*b*) of paragraph 8, advise the applicant contracting party of the date by which it will be notified whether or not it is released from the relevant	10. The Organization shall, at the earliest opportunity but ordinarily within fifteen days after receipt of an application under the provisions of paragraph 7 or sub-paragraphs (*a*) or (*b*) of paragraph 8, advise the applicant Member of the date by which it will be notified whether or not it is released from the relevant obligation.

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obligation. This shall be the earliest practicable date and not later than ninety days after receipt of such application; provided that, if unforeseen difficulties arise before the date set, the period may be extended after consultation with the applicant contracting party. If the applicant contracting party is not so notified by the date set, it may, after informing the CONTRACTING PARTIES, institute the proposed measure.

11. Any contracting party may maintain any non-discriminatory protective measure affecting imports in force on 1 September 1947 which has been imposed for the establishment, development or reconstruction of a particular industry or branch of agriculture and which is not otherwise permitted by this Agreement; provided that notification has been given to the other contracting parties not later than 10 October 1947 of such measure and of each product on which it is to be maintained and of its nature and purpose.

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This shall be the earliest practicable date and not later than ninety days after receipt of such application; *Provided* that, if unforeseen difficulties arise before the date set, the period may be extended after consultation with the applicant Member. If the applicant Member is not so notified by the date set, it may, after informing the Organization, institute the proposed measure.

ARTICLE 14. TRANSITIONAL MEASURES

1. Any Member may maintain any non-discriminatory protective measure affecting imports which has been imposed for the establishment, development or reconstruction of a particular industry or branch of agriculture and which is not otherwise permitted by this Charter, provided that notification has been given of such measure and of each product to which it relates:

(*a*) in the case of a Member signatory to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, not later than October 10, 1947, in respect of measures in force on September 1, 1947, subject to decisions made under paragraph 6 of Article XVIII of the General Agreement on Tariffs and Trade; except that if in special circumstances the CONTRACTING PARTIES to that Agreement agree to dates other than those specified in this sub-paragraph, such other dates shall apply;

(*b*) in the case of any other Member, not later than the day on which it deposits its instrument of acceptance of this Charter, in respect of measures in force on that day or on the day of the entry into force of the Charter, whichever is the earlier;

and provided further that notification has been given under sub-paragraph (*a*) to the other signatories to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment and under sub-paragraph (*b*) to the Organization, or, if the Charter has not entered into force on the day of such notification, to the signatories to the Final Act of the United Nations Conference on Trade and Employment.

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12. Any contracting party maintaining such measure shall within sixty days of becoming a contracting party submit to the CONTRACTING PARTIES a statement of the considerations in support of the maintenance of the measure and the period for which it wishes to maintain it. The CONTRACTING PARTIES shall, as soon as possible, but in any case within twelve months from the date on which such contracting party becomes a contracting party, examine and give a decision concerning the measure as if it had been submitted to the CONTRACTING PARTIES for their concurrence under paragraphs 1 to 10 inclusive of this article.

13. The provisions of paragraphs 11 and 12 of this article shall not apply to any measure relating to a product in respect of which the contracting party has assumed an obligation under article II of this Agreement.

14. In cases where the CONTRACTING PARTIES decide that a measure should be modified or withdrawn by a specified date, they shall have regard to the possible need of a contracting party for a period of time in which to make such modification or withdrawal.

AD ARTICLE XVIII

(From Annex I)

Paragraph 3

The clause referring to the increasing of a most-favoured-nation rate in connexion with a new preferential agreement will only apply after the insertion in article I of the new paragraph 3 by the entry into force of the amendment provided for in the Protocol Modifying Part I and article XXIX of the General Agreement on Tariffs and Trade, dated 14 September 1948.

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2. Any Member maintaining any such measure, other than a measure approved by the CONTRACTING PARTIES to the General Agreement under paragraph 6 of Article XVIII of that Agreement, shall, within one month of becoming a Member of the Organization, submit to it a statement of the considerations in support of the maintenance of the measure and the period for which it wishes to maintain it. The Organization shall, as soon as possible, but in any case within twelve months of such Member becoming a Member of the Organization, examine and give a decision concerning the measure as if it had been submitted to the Organization for its concurrence under Article 13.

3. Any measure, approved in accordance with the provisions of Article XVIII of the General Agreement, and which is in effect at the time this Charter enters into force, may remain in effect thereafter, subject to the conditions of any such approval and, if the Organization so decides, to review by the Organization.

4. This Article shall not apply to any measure relating to a product in respect of which the Member has assumed an obligation through negotiations pursuant to Chapter IV.

5. In cases where the Organization decides that a measure should be modified or withdrawn by a specified date, it shall have regard to the possible need of a Member for a period of time in which to make such modification or withdrawal.

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Paragraph 7 (a) (ii) and (iii)

The word "processing," as used in these sub-paragraphs, means the transformation of a primary commodity or of a by-product of such transformation into semi-finished or finished goods but does not refer to highly developed industrial processes.

ARTICLE XIX. EMERGENCY ACTION ON IMPORTS OF PARTICULAR PRODUCTS

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.

(*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 sub-paragraph (*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 no-

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AD ARTICLE 13

(From Annex P)

Paragraphs 7 (a) (ii) and (iii)

The word "processing", as used in these sub-paragraphs, means the transformation of a primary commodity or of a by-product of such transformation into semi-finished or finished goods but does not refer to highly developed industrial processes.

ARTICLE 40. EMERGENCY ACTION ON IMPORTS OF PARTICULAR PRODUCTS

1. (*a*) If, as a result of unforeseen developments and of the effect of the obligations incurred by a Member under or pursuant to this Chapter, including tariff concessions, any product is being imported into the territory of that Member in such relatively 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 Member 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 Member in the circumstances set forth in sub-paragraph (*a*), so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a Member which receives or received such preference, the importing Member shall be free, if that other Member 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 Member shall take action pursuant to the provisions of paragraph 1, it shall give notice in writing to the Organization as far in advance as may be practicable and shall afford the Organization and those Members 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 regard to a concession

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tice 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 ninety days after such action is taken, to suspend, upon the expiration of thirty 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 sub-paragraph (*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.

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relating to a preference, the notice shall name the Member which has requested the action. In circumstances of special urgency, where delay would cause damage which it would be difficult to repair, action under paragraph 1 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 Members with respect to the action is not reached, the Member 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 Members shall then be free, not later than ninety days after such action is taken, to suspend, upon the expiration of thirty days from the day on which written notice of such suspension is received by the Organization, the application to the trade of the Member taking such action, or, in the case envisaged in paragraph 1 (*b*), to the trade of the Member requesting such action, of such substantially equivalent obligations or concessions under or pursuant to this Chapter the suspension of which the Organization does not disapprove.

(*b*) Notwithstanding the provisions of sub-paragraph (*d*), where action is taken without prior consultation under paragraph 2 and causes or threatens serious injury in the territory of a Member to the domestic producers of products affected by the action, that Member 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.

4. Nothing in this Article shall be construed

(*a*) to require any Member, in connection with the withdrawal or modification by such Member of any concession negotiated pursuant to Article 17, to consult with or obtain the agreement of Members others than those Members which are contracting parties to the General Agreement on Tariffs and Trade, or

(*b*) to authorize any Member which is not a contracting party to that Agreement, to withdraw from or suspend obligations under this Charter by reason of the withdrawal or modification of such concession.

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ARTICLE XX. GENERAL EXCEPTIONS

Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:

I. (*a*) necessary to protect public morals;

(*b*) necessary to protect human, animal or plant life or health;

(*c*) relating to the importation or exportation of gold or silver;

(*d*) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to customs enforcement, the enforcement of monopolies operated under paragraph 4 of Article II and Article XVII, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices;

(*e*) relating to the products of prison labour;

(*f*) imposed for the protection of national treasures of artistic, historic or archaeological value;

(*g*) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;

(*h*) undertaken in pursuance of obligations under intergovernmental commodity agreements, conforming to the principles approved by the Economic and Social Council of the United Nations in its Resolution of March 28, 1947, establishing an Interim Co-ordinating Committee for International Commodity Arrangements; or

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AD ARTICLE 40

(From Annex P)

It is understood that any suspension, withdrawal or modification under paragraphs 1 (*a*), 1 (*b*) and 3 (*b*) must not discriminate against imports from any Member country, and that such action should avoid, to the fullest extent possible, injury to other supplying Member countries.

ARTICLE 45. GENERAL EXCEPTIONS TO CHAPTER IV

1. Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between Member countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Chapter shall be construed to prevent the adoption or enforcement by any Member of measures.

(*a*) (i) necessary to protect public morals;

(ii) necessary to the enforcement of laws and regulations relating to public safety;

(iii) necessary to protect human, animal or plant life or health;

(iv) relating to the importation or exportation of gold or silver;

(v) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Chapter, including those relating to customs enforcement, the enforcement of monopolies operated under Section D of this Chapter, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices;

(vi) relating to the products of prison labour;

(vii) imposed for the protection of national treasures of artistic, historic or archaeological value;

(viii) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;

(ix) taken in pursuance of intergovernmental commodity agreements concluded in accordance with the provisions of Chapter VI;

(x) taken in pursuance of any inter-governmental agreement which relates solely to the conservation of fisheries resources, migratory birds or wild animals and which is subject to the require-

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(*i*) involving restrictions on exports of domestic materials necessary to assure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilization plan; *Provided* that such restrictions shall not operate to increase the exports of or the protection afforded to such domestic industry, and shall not depart from the provisions of this Agreement relating to non-discrimination;

II. (*a*) essential to the acquisition or distribution of products in general or local short supply; *Provided* that any such measures shall be consistent with any multilateral arrangements directed to an equitable international distribution of such products or, in the absence of such arrangements, with the principle that all contracting parties are entitled to an equitable share of the international supply of such products;

(*b*) essential to the control of prices by a contracting party undergoing shortages subsequent to the war; or

(*c*) essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any contracting party or of industries developed in the territory of any contracting party owing to the exigencies of the war which it would be uneconomic to maintain in normal conditions; *Provided* that such measures shall not be instituted by any contracting party except after consultation with other interested contracting parties with a view to appropriate international action.

Measures instituted or maintained under part II of this Article which are inconsistent with the other provisions of this Agreement shall be removed as soon as the conditions giving rise to them have ceased, and in any event not later than January 1, 1951; *Provided* that this period may, with the concurrence of the CONTRACTING PARTIES, be extended in respect of the application of any particular measure to any particular product by any particular contracting party for such further periods as the CONTRACTING PARTIES may specify.

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ments of paragraph 1 (*d*) of Article 70; or

(xi) involving restrictions on exports of domestic materials necessary to assure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilization plan; *Provided* that such restrictions shall not operate to increase the exports of or the protection afforded to such domestice industry and shall not depart from the provisions of this Chapter relating to non-discrimination;

(b) (i) essential to the acquisition or distribution of products in general or local short supply; *Provided* that any such measures shall be consistent with any general intergovernmental arrangements directed to an equitable international distribution of such products or, in the absence of such arrangements, with the principle that all Members are entitled to an equitable share of the international supply of such products;

(ii) essential to the control of prices by a Member country experiencing shortages subsequent to the Second World War; or

(iii) essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any Member country, or of industries developed in any Member country owing to the exigencies of the Second World War which it would be uneconomic to maintain in normal conditions: *Provided* that such measures shall not be instituted by any Member except after consultation with other interested Members with a view to appropriate international action.

2. Measures instituted or maintained under paragraph 1 (*b*) which are inconsistent with the other provisions of this Chapter shall be removed as soon as the conditions giving rise to them have ceased, and in any event not later than at a date to be specified by the Organization; *Provided* that such date may be deferred for a further period or periods, with the concurrence of the Organization, either generally or in relation to particular measures taken by Members in respect of particular products.

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ARTICLE XXI. SECURITY EXCEPTIONS

Nothing in this Agreement shall be construed

(*a*) to require any contracting party to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(*b*) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests

(i) relating to fissionable materials or the materials from which they are derived;

(ii) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;

(iii) taken in time of war or other emergency in international relations; or

(*c*) to prevent any contracting party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

ARTICLE XXII. CONSULTATION

Each contracting party shall accord sympathetice consideration to, and shall afford adequate opportunity for consultation regarding, such representations as may be made by any other contracting party with respect to the operation of customs regulations and formalities, anti-dumping and countervailing duties, quantitative and exchange regulations, subsidies, state-

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ARTICLE 99. GENERAL EXCEPTIONS

1. Nothing in this Charter shall be construed

(*a*) to require a Member to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(*b*) to prevent a Member from taking, either singly or with other States, any action which it considers necessary for the protection of its essential security interests, where such action

(i) relates to fissionable materials or to the materials from which they are derived, or

(ii) relates to the traffic in arms, ammunition or implements of war, or to traffic in other goods and materials carried on directly or indirectly for the purpose of supplying a military establishment of the Member or of any other country, or

(iii) is taken in time of war or other emergency in international relations; or

(*c*) to prevent a Member from entering into or carrying out any inter-governmental agreement (or other agreement on behalf of a government for the purpose specified in this sub-paragraph) made by or for a military establishment for the purpose of meeting essential requirements of the national security of one or more of the participating countries; or

(*d*) to prevent action taken in accordance with the provisions of Annex M to this Charter.

2. Nothing in this Charter shall be construed to override

(*a*) any of the provisions of peace treaties or permanent settlements resulting from the Second World War which are or shall be in force and which are or shall be registered with the United Nations, or

(*b*) any of the provisions of instruments creating Trust Territories or any other special regimes established by the United Nations.

ARTICLE 41. CONSULTATION

Each Member shall accord sympathetic consideration to, and shall afford adequate opportunity for consultation regarding, such representations as may be made by any other Member with respect to the operation of customs regulations and formalities, anti-dumping and countervailing duties, quantitative and exchange regulations, internal price regulations, subsidies, transit regula-

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trading operations, sanitary laws and regulations for the protection of human, animal or plant life or health, and generally all matters affecting the operation of this Agreement.

ARTICLE XXIII. NULLIFICATION OR IMPAIRMENT

1. If any contracting party should consider that any benefit accruing to it directly or indirectly under this Agreement is being nullified or impaired or that the attainment of any objective of the Agreement is being impeded as the result of (*a*) the failure of another contracting party to carry out its obligations under this Agreement, or (*b*) the application by another contracting party of any measure, whether or not it conflicts with the provisions of this Agreement, or (*c*) the existence of any other situation, the contracting party may, with a view to the satisfactory adjustment of the matter, make written representations or proposals to the other contracting party or parties which it considers to be concerned. Any contracting party thus approached shall give sympathetic consideration to the representations or proposals made to it.

2. If no satisfactory adjustment is effected between the contracting parties concerned within a reasonable time, or if the difficulty is of the type described in paragraph 1 (*c*) of this Article, the matter may be referred to the CONTRACTING PARTIES. The CONTRACTING PARTIES shall promptly investigate any matter so referred to them and shall make appropriate recommendations to the contracting parties which they consider to be concerned, or give a ruling on the matter, as appropriate. The CONTRACTING PARTIES may consult with contracting parties, with the Economic and So-

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tions and practices, state trading, sanitary laws and regulations for the protection of human, animal or plant life or health, and generally with respect to all matters affecting the operation of this Chapter.

AD ARTICLE 41

(From Annex P)

The provisions for consultation require Members subject to the exceptions specifically set forth in this Charter, to supply to other Members, upon request, such information as will enable a full and fair appraisal of the matters which are the subject of such consultation, including the operation of sanitary laws and regulations for the protection of human, animal or plant life or health, and other matters affecting the application of Chapter IV.

ARTICLE 92, RELIANCE ON THE PROCEDURES OF THE CHARTER

1. The Members undertake that they will not have recourse, in relation to other Members and to the Organization, to any procedure other than the procedures envisaged in this Charter for complaints and the settlement of differences arising out of its operation.

2. The Members also undertake, without prejudice to any other international agreement, that they will not have recourse to unilateral economic measures of any kind contrary to the provisions of this Charter.

ARTICLE 93. CONSULTATION AND ARBITRATION

1. If any Member considers that any benefit accruing to it directly or indirectly, implicity or explicitly, under any of the provisions of this Charter other than Article 1, is being nullified or impaired as a result of

(*a*) a breach by a Member of an obligation under this Charter by action or failure to act, or

(*b*) the application by a Member of a measure not conflicting with the provisions of this Charter, or

(*c*) the existence of any other situation

the Member may, with a view to the satisfactory adjustment of the matter, make written representations or proposals to such other Member or Members as it considers to be concerned, and the Members receiving them shall give sympathetic consideration thereto.

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cial Council of the United Nations and with any appropriate inter-governmental organization in cases where they consider such consultation necessary. If the CONTRACTING PARTIES consider that the circumstances are serious enough to justify such action, they may authorize a contracting party or parties to suspend the application to any other contracting party or parties of such obligations or concessions under this Agreement as they determine to be appropriate in the circumstances. If the application to any contracting party of any obligation or concession is in fact suspended, that contracting party shall then be free, not later than sixty days after such action is taken, to advise the Secretary-General of the United Nations in writing of its intention to withdraw from this Agreement and such withdrawal shall take effect upon the expiration of sixty days from the day on which written notice of such withdrawal is received by him.

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2. The Members concerned may submit the matter arising under paragraph 1 to arbitration upon terms agreed between them; *Provided*, that the decision of the arbitrator shall not be binding for any purpose upon the Organization or upon any Member other than the Members participating in the arbitration.

3. The Members concerned shall inform the Organization generally of the progress and outcome of any discussion, consultation or arbitration undertaken under this Charter.

ARTICLE 94. REFERENCE TO THE EXECUTIVE BOARD

1. Any matter arising under subparagraphs (*a*) or (*b*) of paragraph 1 of Article 93 which is not satisfactorily settled and any matter which arises under paragraph 1 (*c*) of Article 93 may be referred by any Member concerned to the Executive Board.

2. The Executive Board shall promptly investigate the matter and shall decide whether any nullification or impairment within the terms of paragraph 1 of Article 93 in fact exists. It shall then take such of the following steps as may be appropriate:

(*a*) decide that the matter does not call for any action;

(*b*) recommend further consultation to the Members concerned;

(*c*) refer the matter to arbitration upon such terms as may be agreed between the Executive Board and the Members concerned;

(*d*) in any matter arising under paragraph 1 (*a*) of Article 93, request the Member concerned to take such action as may be necessary for the Member to conform to the provisions of this Charter;

(*e*) in any matter arising under subparagraph (*b*) or (*c*) of paragraph 1 of Article 93, make such recommendations to Members as will best assist the Members concerned and contribute to a satisfactory adjustment.

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3. If the Executive Board considers that action under sub-paragraph (*d*) and (*e*) of paragraph 2 is not likely to be effective in time to prevent serious injury, and that any nullification or impairment found to exist within the terms of paragraph 1 of Article 93 is sufficiently serious to justify such action, it may, subject to the provisions of paragraph 1 of Article 95, release the Member or Members affected from obligations or the grant of concessions to any other Member or Members under or pursuant to this Charter, to the extent and upon such conditions as it considers appropriate and compensatory, having regard to the benefit which has been nullified or impaired.

4. The Executive Board may, in the course of its investigation, consult with such Members or inter-governmental organizations upon such matters within the scope of this Charter as it deems appropriate. It may also consult any appropriate commission of the Organization on any matter arising under this Chapter.

5. The Executive Board may bring any matter, referred to it under this Article, before the Conference at any time during its consideration of the matter.

ARTICLE 95. REFERENCE TO THE CONFERENCE

1. The Executive Board shall, if requested to do so within thirty days by a Member concerned, refer to the Conference for review any action, decision or recommendation by the Executive Board under paragraphs 2 or 3 of Article 94. Unless such review has been asked for by a Member concerned, Members shall be entitled to act in accordance with any action, decision or recommendation of the Executive Board under paragraphs 2 or 3 of Article 94. The Conference shall confirm, modify or reverse such action, decision or recommendation referred to it under this paragraph.

2. Where a matter arising under this Chapter has been brought before the Conference by the Executive Board, the Conference shall follow the procedure set out in paragraph 2 of Article 94 for the Executive Board.

3. If the Conference considers that any nullification or impairment found to exist within the terms of paragraph 1 (*a*) of Article 93 is sufficiently serious to justify such action, it may release the Member or Members affected from

obligations or the grant of concessions to any other Member or Members under or pursuant to this Charter, to the extent and upon such conditions as it considers appropriate and compensatory, having regard to the benefit which has been nullified or impaired. If the Conference considers that any nullification or impairment found to exist within the terms of sub-paragraphs (*b*) or (*c*) of paragraph 1 of Article 93 is sufficiently serious to justify such action, it may similarly release a Member or Members to the extent and upon such conditions as will best assist the Members concerned and contribute to a satisfactory adjustment.

4. When any Member or Members, in accordance with the provisions of paragraph 3, suspend the performance of any obligation or the grant of any concession to another Member, the latter Member shall be free, not later than sixty days after such action is taken, or if an opinion has been requested from the International Court of Justice pursuant to the provisions of Article 96, after such opinion has been delivered, to give written notice of its withdrawal from the Organization. Such withdrawal shall become effective upon the expiration of sixty days from the day on which such notice is received by the Director-General.

ARTICLE 96. REFERENCE TO THE INTERNATIONAL COURT OF JUSTICE

1. The Organization may, in accordance with arrangements made pursuant to paragraph 2 of Article 96 of the Charter of the United Nations, request from the International Court of Justice advisory opinions on legal questions arising within the scope of the activities of the Organization.

2. Any decision of the Conference under this Charter shall, at the instance of any Member whose interests are prejudiced by the decision, be subject to review by the International Court of Justice by means of a request, in appropriate form, for an advisory opinion pursuant to the Statute of the Court.

3. The request for an opinion shall be accompanied by a statement of the question upon which the opinion is required and by all documents likely to throw light upon the question. This statement shall be furnished by the Organization in accordance with the Statute of the Court and after consultation with the Members substantially interested.

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ARTICLE XXIV. TERRITORIAL APPLICATION—FRONTIER TRAFFIC—CUSTOMS UNIONS AND FREE-TRADE AREAS

1. The provisions of this Agreement shall apply to the metropolitan customs territories of the contracting parties and to any other customs territories in respect of which this Agreement has been accepted under Article XXVI or is being applied under Article XXXIII or pursuant to the Protocol of Provisional Application. Each such customs territory shall, exclusively for the purposes of the territorial application of this Agreement, be treated as though it were a contracting party; *Provided* that the provisions of this paragraph shall not be construed to create any rights or obligations as between two or more customs territories in respect of which this Agreement has been accepted under Article XXVI or is being applied under Article XXXIII or pursuant to the Protocol of Provisional Application by a single contracting party.

2. For the purposes of this Agreement a customs territory shall be understood to mean any territory with respect to which separate tariffs or

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4. Pending the delivery of the opinion of the Court, the decision of the Conference shall have full force and effect; *Provided* that the Conference shall suspend the operation of any such decision pending the delivery of the opinion where, in the view of the Conference, damage difficult to repair would otherwise be caused to a Member concerned.

5. The Organization shall consider itself bound by the opinion of the Court on any question referred by it to the Court. In so far as it does not accord with the opinion of the Court, the decision in question shall be modified.

ARTICLE 97. MISCELLANEOUS PROVISIONS

1. Nothing in this Chapter shall be construed to exclude other procedures provided for in this Chapter for consultation and the settlement of differences arising out of its operation. The Organization may regard discussion, consultation or investigation undertaken under any other provisions of this Charter as fulfilling, either in whole or in part, any similar procedural requirement in this Chapter.

2. The Conference and the Executive Board shall establish such rules of procedure as may be necessary to carry out the provisions of this Chapter.

ARTICLE 42. TERRITORIAL APPLICATION OF CHAPTER IV

1. The provisions of Chapter IV shall apply to the metropolitan customs territories of the Members and to any other customs territories in respect of which this Charter has been accepted in accordance with the provisions of Article 104. Each such customs territory shall, exclusively for the purposes of the territorial application of Chapter IV, be treated as though it were a Member; *Provided* that the prosions of this paragraph shall not be construed to create any rights or obligations as between two or more customs territories in respect of which this Charter has been accepted by a single Member.

2. For the purposes of this Chapter a customs territory shall be understood to mean any territory with respect to which separate tariffs or other regu-

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other regulations of commerce are maintained for a substantial part of the trade of such territory with other territories.

3. The provisions of this Agreement shall not be construed to prevent:

(*a*) advantages accorded by any contracting party to adjacent countries in order to facilitate frontier traffic;

(*b*) advantages accorded to the trade with the Free Territory of Trieste by countries contiguous to that territory, provided that such advantages are not in conflict with the Treaties of Peace arising out of the Second World War.

4. The contracting parties recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or of a free-trade area should be to facilitate trade between the parties and not to raise barriers to the trade of other contracting parties with such parties.

5. Accordingly, the provisions of this Agreement shall not prevent, as between the territories of contracting parties, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area; *Provided* that:

(*a*) with respect to a customs union, or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with contracting parties not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;

(*b*) with respect to a free-trade area, or an interim agreement leading to the formation of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the forma-

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lations of commerce are maintained for a substantial part of the trade of such territory with other territories.

ARTICLE 43. FRONTIER TRAFFIC

The provisions of this Chapter shall not be construed to prevent:

(*a*) advantages accorded by any Member to adjacent countries in order to facilitate frontier traffic;

(*b*) advantages accorded to the trade with the Free Territory of Trieste by countries contiguous to that territory, provided that such advantages are not in conflict with the Treaties of Peace arising out of the Second World War.

ARTICLE 44. CUSTOMS UNIONS AND FREE-TRADE AREAS

1. Members recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or free-trade area should be to facilitate trade between the parties and not to raise barriers to the trade of other Member countries with such parties.

2. Accordingly, the provisions of this Chapter shall not prevent, as between the territories of Members, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area; *Provided* that:

(*a*) with respect to a customs union, or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with Member countries not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;

(*b*) with respect to a free-trade area, or an interim agreement leading to the formation of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the forma-

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tion of such free-trade area or the adoption of such interim agreement to the trade of contracting parties not included in such area or not parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same constituent territories prior to the formation of the free-trade area, or interim agreement, as the case may be; and	tion of such free-trade area or the adoption of such interim agreement to the trade of Member countries not included in such area or not parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same contsituent territories prior to the formation of the free-trade area, or interim agreement, as the case may be; and
(*c*) any interim agreement referred to in sub-paragraphs (*a*) and (*b*) shall include a plan and schedule for the formation of such a customs union or of such a free-trade area within a reasonable length of time.	(*c*) any interim agreement referred to in sub-paragraphs (*a*) or (*b*) shall include a plan and schedule for the formation of such a customs union or of such a free-trade area within a reasonable length of time.
6. If in fulfilling the requirements of sub-paragraph 5 (*a*), a contracting party proposes to increase any rate of duty inconsistently with the provisions of Article II, the procedure set forth in Article XXVIII shall apply. In providing for compensatory adjustment, due account shall be taken of the compensation already afforded by the reductions brought about in the corresponding duty of the other constituents of the union.	
7. (*a*) Any contracting party deciding to enter into a customs union or free-trade area, or an interim agreement leading to the formation of such a union or area, shall promptly notify the CONTRACTING PARTIES and shall make available to them such information regarding the proposed union or area as will enable them to make such reports and recommendations to contracting parties as they may deem appropriate.	3. (*a*) Any Member deciding to enter into a customs union or free-trade area, or an interim agreement leading to the formation of such a union or area, shall promptly notify the Organization and shall make available to it such information regarding the proposed union or area as will enable the Organization to make such reports and recommendations to Members as it may deem appropriate.
(*b*) If, after having studied the plan and schedule provided for in an interim agreement referred to in paragraph 5 in consultation with the parties to that agreement and taking due account of the information made available in accordance with the provisions of sub-paragraph (a), the CONTRACTING PARTIES find that such agreement is not likely to result in the formation of a customs union or of a free-trade area within the period contemplated by the parties to the agreement or that such period is not a reasonable one, the CONTRACTING PARTIES shall make recommendations to the parties to the agreement. The parties shall not maintain or put into force, as the case may be, such agreement if they are not prepared to modify it in accordance with these recommendations.	(*b*) If, after having studied the plan and schedule provided for in an interim agreement referred to in paragraph 2 in consultation with the parties to that agreement and taking due account of the information made available in accordance with the provisions of sub-paragraph (*a*), the Organization finds that such agreement is not likely to result in the formation of a customs union or of a free-trade area within the period contemplated by the parties to the agreement or that such period is not a reasonable one, the Organization shall make recommendations to the parties to the agreement. The parties shall not maintain or put into force, as the case may be, such agreement if they are not prepared to modify it in accordance with these recommendations.

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(c) Any substantial change in the plan or schedule referred to in paragraph 5 (c) shall be communicated to the CONTRACTING PARTIES, which may request the contracting parties concerned to consult with them if the change seems likely to jeopardize or delay unduly the formation of the customs union or of the free-trade area.

8. For the purposes of this Agreement:

(a) a customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that

(i) duties and other restrictive regulations of commerce (except, where necessary, those permitted under Article XI, XII, XIII, XIV, XV and XX) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and,

(ii) subject to the provisions of paragraph 9, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union;

(b) A free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Articles XI, XII, XIII, XIV, XV and XX) are eliminated on substantially all the trade between the constituent territories in products originating in such territories.

9. The preferences referred to in paragraph 2 of Article I shall not be affected by the formation of a customs union or of a free-trade area but may be eliminated or adjusted by means of negotiations with contracting parties affected. This procedure of negotiations with affected contracting parties shall, in particular, apply to the elimination of preferences required to conform with the provisions of paragraph 8 (a) (i) and paragraph 8 (b).

10. The CONTRACTING PARTIES may by a two-thirds majority approve proposals which do not fully comply with the requirements of paragraphs 5 to 9 inclusive, provided that such proposals lead to the formation of a customs union or a free-trade area in the sense of this Article.

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(c) Any substantial change in the plan or schedule referred to in paragraph 2 (c) shall be communicated to the Organization, which may request the Members concerned to consult with it if the change seems likely to jeopardize or delay unduly the formation of the customs union or of the free-trade area.

4. For the purposes of this Charter:

(a) a customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that

(i) duties and other restrictive regulations of commerce (except, where necessary, those permitted under Section B of Chapter IV and under Article 45) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and,

(ii) subject to the provisions of paragraph 5, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union;

(b) a free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Section B of Chapter IV and under Article 45) are eliminated on substantially all the trade between the constituent territories in products originating in such territories.

5. The preferences referred to in paragraph 2 of Article 16 shall not be affected by the formation of a customs union or of a free-trade area but may be eliminated or adjusted by means of negotiations with Members affected. This procedure of negotiations with affected Members shall, in particular, apply to the elimination of preferences required to conform with the provisions of paragraph 4 (a) (i) and paragraph 4 (b).

6. The Organization may, by a two-thirds majority of the Members present and voting, approve proposals which do not fully comply with the requirements of the preceding paragraphs, provided that such proposals lead to the formation of a customs union or of a free-trade area in the sense of this Article.

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11. Taking into account the exceptional circumstances arising out of the establishment of India and Pakistan as independent states and recognizing the fact that they have long constituted an economic unit, the contracting parties agree that the provisions of this Agreement shall not prevent the two countries from entering into special arrangements with respect to the trade between them, pending the establishment of their mutual trade relations on a definitive basis.

12. Each contracting party shall take such reasonable measures as may be available to it to ensure observance of the provisions of this Agreement by the regional and local governments and authorities within its territory."

AD ARTICLE XXIV

(From Annex I)

Paragraph 5

It is understood that the provisions of Article I would require that, when a product which has been imported into the territory of a member of a customs union or free-trade area at a preferential rate of duty is re-exported to the territory of another member of such union or area, the latter member should collect a duty equal to the difference between the duty already paid and the most-favoured-nation rate.

Paragraph 11

Measures adopted by India and Pakistan in order to carry out definitive trade arrangements between them, once they have been agreed upon, might depart

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ANNEX M. SPECIAL PROVISIONS REGARDING INDIA AND PAKISTAN

(Referred to in Paragraph 1 (*d*) of Article 99)

In view of the special circumstances arising out of the establishment as independent States of India and Pakistan, which have long constituted an economic unit, the provisions of this Charter shall not prevent the two countries from entering into special interim agreements with respect to the trade between them, pending the establishment of their reciprocal trade relations on a definitive basis. When these relations have been established, measures adopted by these countries in order to carry out definitive agreements with respect to their reciprocal trade relations, may depart from particular provisions of the Charter, provided that such measures are in general consistent with the objectives of the Charter.

AD ARTICLE 44

(From Annex P)

Paragraph 5

It is understood that the provisions of Article 16 would require that, when a product which has been imported into the territory of a member of a customs union or free-trade area at a preferential rate of duty is re-exported to the territory of another member of such union or area, the latter member should collect a duty equal to the difference between the duty already paid and the most-favoured-nation rate.

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from particular provisions of this Agreement, but these measures would in general be consistent with the objectives of the Agreement.

ARTICLE XXV. JOINT ACTION BY THE CONTRACTING PARTIES

1. Representatives of the contracting parties shall meet from time to time for the purpose of giving effect to those provisions of this Agreement which involve joint action and, generally, with a view to facilitating the operation and furthering the objectives of this Agreement. Wherever reference is made in this Agreement to the contracting parties acting jointly they are designated as the CONTRACTING PARTIES.

2. The Secretary-General of the United Nations is requested to convene the first meeting of the CONTRACTING PARTIES which shall take place not later than March 1, 1948.

3. Each contracting party shall be entitled to have one vote at all meetings of the CONTRACTING PARTIES.

4. Except as otherwise provided for in this Agreement, decisions of the CONTRACTING PARTIES shall be taken by a majority of the votes cast.

5. (*a*) In exceptional circumstances not elsewhere provided for in this Agreement, the CONTRACTING PARTIES may waive in obligation imposed upon a contracting party by this Agreement; *Provided* that any such decision shall be approved by a two-thirds majority of the votes cast and that such majority shall comprise more than half of the contracting parties. The CONTRACTING PARTIES may also by such a vote

(i) define certain categories of exceptional circumstances to which other voting requirements shall apply for the waiver of obligations, and

(ii) prescribe such criteria as may be necessary for the application of this sub-paragraph.

(*b*) If any contracting party has failed without sufficient justification to carry out with another contracting party negotiations of the kind described in paragraph 1 of Article 17 of the Havana Charter, the CONTRACTING PARTIES may, upon complaint and after

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No comparable provision. The ITO contemplaes a formal organization with a permanent location, regular sessions, a Conference, an Executive Board, and a Director-General, whereas the GATT merely provides for consultation between contracting parties.

4. (*a*) The provisions of Article 16 shall not prevent the operation of paragraph 5 (*b*) of Article XXV of the General Agreement on Tariffs and Trade, as amended at the First Session of the CONTRACTING PARTIES.

(*b*) If a Member has failed to become a contracting party to the General Agreement within two years from the entry into force of this Charter with respect to such Member, the provisions of Article 16 shall cease to require, at the end of that period, the application

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investigation, authorize the complaining contracting party to withhold from the other the concessions incorporated in the relevant Schedule to this Agreement. In any judgment as to whether a contracting party has so failed, the CONTRACTING PARTIES shall have regard to all relevant circumstances, including the developmental, reconstruction, and other needs and the general fiscal structures of the contracting parties concerned and to the provisions of the Havana Charter as a whole. If in fact the concessions referred to are withheld, so as to result in the application to the trade of the other contracting party of tariffs higher than would otherwise have been applicable, such other contracting party shall then be free, within sixty days after such action becomes effective, to give written notice to withdrawal from the Agreement. The withdrawal shall take effect upon the expiration of sixty days from the day on which such notice is received by the CONTRACTING PARTIES.

(*c*) The provisions of sub-paragraph (*b*) shall not apply as between any two contracting parties the Schedules of which contain concessions initially negotiated between such contracting parties.

(*d*) The provisions of sub-paragraphs (*b*) and (*c*) shall not apply until January 1, 1949.

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to the trade of such Member country of the concessions granted, in the appropriate Schedule annexed to the General Agreement, by another Member which has requested the first Member to negotiate with a view to becoming a contracting party to the General Agreement but has not successfully concluded negotiations; *Provided* that the Organization may, by a majority of the votes cast, require the continued application of such concessions to the trade of any Member country which has been unreasonably prevented from becoming a contracting party to the General Agreement pursuant to negotiations in accordance with the provisions of this Article.

(*c*) If a Member which is a contracting party to the General Agreement proposes to withhold tariff concessions from the trade of a Member country which is not a contracting party, it shall give notice in writing to the Organization and to the affected Member. The latter Member may request the Organization to require the continuance of such concessions, and if such a request has been made the tariff concessions shall not be withheld pending a decision by the Organization under the provisions of sub-paragraph (*b*) of this paragraph.

(*d*) In any determination whether a Member has been unreasonably prevented from becoming a contracting party to the General Agreement, and in any determination under the provisions of Chapter VIII whether a Member has failed without sufficient justification to fulfil its obligations under paragraph 1 of this Article, the Organization shall have regard to all relevant circumstances, including the developmental, reconstruction and other needs, and the general fiscal structures of the Member countries concerned and to the provisions of the Charter as a whole.

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ARTICLE XXVI. ACCEPTANCE, ENTRY INTO FORCE AND REGISTRATION

1. The present Agreement shall bear the date of the signature of the Final Act adopted at the conclusion of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment and shall be open to acceptance by any government signatory to the Final Act.

2. This Agreement, done in a single English original and in a single French original, both texts authentic, shall be deposited with the Secretary-General of the United Nations, who shall furnish certified copies thereof to all interested governments.

3. Each government accepting this Agreement shall deposit an instrument of acceptance with the Secretary-General of the United Nations, who will inform all interested governments of the date of deposit of each instrument of acceptance and of the day on which this Agreement enters into force under paragraph 5 of this Article.

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(*e*) If such concessions are in fact withheld, so as to result in the application to the trade of a Member country of duties higher than would otherwise have been applicable, such Member shall then be free, within sixty days after such action becomes effective, to give written notice of withdrawal from the Organization. The withdrawal shall become effective upon the expiration of sixty days from the day on which such notice is received by the Director-General.

ARTICLE 103. ENTRY INTO FORCE AND REGISTRATION

1. The government of each State accepting this Charter shall deposit an instrument of acceptance with the Secretary-General of the United Nations, who will inform all governments represented at the United Nations Conference on Trade and Employment and all Members of the United Nations not so represented of the date of deposit of each instrument of acceptance and of the day on which the Charter enters into force. Subject to the provisions of Annex O, after the entry into force of the Charter in accordance with the provisions of paragraph 2, each instrument of acceptance so deposited shall take effect on the sixtieth day following the day on which it is deposited.

ANNEX O. ACCEPTANCES WITHIN SIXTY DAYS OF THE FIRST REGULAR SESSION

(Referred to in paragraph 1 of article 103)

For the purpose of the first regular session of the Conference, any government which has deposited an instrument of acceptance in accordance with the provisions of paragraph 1 of Article 103 prior to the first day of the session, shall have the same right to participate in the Conference as a Member.

ARTICLE 106. DEPOSIT AND AUTHENTICITY OF TEXTS—TITLE AND DATE OF THE CHARTER

1. The original texts of this Charter in the official languages of the United Nations shall be deposited with the Secretary-General of the United Nations,

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4. Each government accepting this Agreement does so in respect of its metropolitan territory and of the other territories for which it has international responsibility; *Provided* that it may at the time of acceptance declare that any separate customs territory for which it has international responsibility possesses full autonomy in the conduct of its external commercial relations and of the other matters provided for in this Agreement, such territory shall, upon sponsorship through a declaration by the responsible contracting party establishing the above-mentioned fact, be deemed to be a contracting party.

5. This Agreement shall enter into force, as among the governments which have accepted it, on the thirtieth day following the day on which instruments of acceptance have been deposited with the Secretary-General of the United Nations on behalf of governments signatory to the Final Act the territories

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who will furnish certified copies of the texts to all interested governments. Subject to the provisions of the Statute of the International Court of Justice, such texts shall be equally authoritative for the purposes of the interpretation of the Charter, and any discrepancy between texts shall be settled by the Conference.

2. The date of this Charter shall be March 24, 1948.

3. This Charter for an International Trade Organization shall be known as the Havana Charter.

ARTICLE 104. TERRITORIAL APPLICATION

1. Each government accepting this Charter does so in respect of its metropolitan territory and of the other territories for which it has international responsibility, except such separate customs territories as it shall notify to the Organization at the time of its own acceptance.

2. Any Member may at any time accept this Charter, in accordance with the provisions of paragraph 1 of Article 103, on behalf of any separate customs territory excepted under the provisions of paragraph 1.

3. Each Member shall take such reasonable measures as may be available to it to ensure observance of the provisions of this Charter by the regional and local governments and authorities within its territory.

AD ARTICLE 104

(From Annex P)

Note 1.—In the case of a condominium, where the codomini are Members of the Organization, they may, if they so desire and agree, jointly accept this Charter in respect of the condominium.

Note 2.—Nothing in this Article shall be construed as prejudicing the rights which may have been or may be invoked by States in connection with territorial questions or disputes concerning territorial sovereignty.

ARTICLE 103 (CONTINUED)

2. (*a*) This Charter shall enter into force

(i) on the sixtieth day following the day on which a majority of the governments signing the Final Act of the United Nations Conference on Trade and Employment have deposited instruments of accept-

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of which account for eighty-five per centum of the total external trade of the territories of the signatories to the Final Act adopted at the conclusion of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment. Such percentage shall be determined in accordance with the table set forth in Annex H. The instrument of acceptance of each other government signatory to the Final Act shall take effect on the thirtieth day following the day on which such instrument is deposited.

6. The United Nations is authorized to effect registration of this Agreement as soon as it enters into force.

AD ARTICLE XXVI

(From Annex I)

Territories for which the contracting parties have international responsibility do not include areas under military occupation.

ARTICLE XXVII. WITHHOLDING OR WITHDRAWAL OF CONCESSIONS

Any contracting party shall at any time be free to withhold or to withdraw in whole or in part any concession, provided for in the appropriate Schedule annexed to this Agreement, in respect of which such contracting party determines that it was initially negotiated with a government which has not become, or has ceased to be, a contracting party. The contracting party taking such action shall give notice to all other contracting parties and, upon request, consult with the contracting parties which have a substantial interest in the product concerned.

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ance in accordance with the provisions of paragraph 1; or

(ii) if, at the end of one year from the date of signature of the said Final Act, it has not entered into force in accordance with the provisions of sub-paragraph (*a*) (i), then on the sixtieth day following the day on which the number of governments represented at the United Nations Conference on Trade and Employment which have deposited instruments of acceptance in accordance with the provisions of paragraph 1 shall reach twenty; *Provided* that if twenty such governments have deposited acceptances more than sixty days before the end of such year, it shall not enter into force until the end of that year.

(*b*) If this Charter shall not have entered into force by September 30, 1949, the Secretary-General of the United Nations shall invite those governments which have deposited instruments of acceptance to enter into consultation to determin whether and on what conditions they desire to bring the Charter into force.

3. Until September 30, 1949, no State or separate customs territory, on behalf of which the said Final Act has been signed, shall be deemed to be a non-Member for the purposes of Article 98.

4. The Secretary-General of the United Nations is authoribed to register this Charter as soon as it enters into force.

No comparable article.

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ARTICLE XXVIII. MODIFICATION OF SCHEDULES	
1. On or after January 1, 1951, any contracting party may, by negotiation and agreement with any other contracting party with which such treatment was initially negotiated, and subject to consultation with such other contracting parties as the CONTRACTING PARTIES determine to have a substantial interest in such treatment, modify, or cease to apply, the treatment which it has agreed to accord under Article II to any product described in the appropriated Schedule annexed to this Agreement. In such negotiations and agreement, which may include provision for compensatory adjustment with respect to other products, the contracting parties concerned shall endeavour to maintain a general level of reciprocal and mutually advantageous concessions not less favourable to trade than that provided for in the present Agreement.	No comparable article.
2. (*a*) If agreement between the contracting parties primarily concerned cannot be reached, the contracting party which proposes to modify or cease to apply such treatment shall, nevertheless, be free to do so, and if such action is taken the contracting party with which such treatment was initially negotiated, and the other contracting parties determined under paragraph 1 of this Article to have a substantial interest, shall then be free, not later than six months after such action is taken, to withdraw, upon the expiration of thirty days from the day on which written notice of such withdrawal is received by the CONTRACTING PARTIES, substantially equivalent concessions initially negotiated with the contracting party taking such action.	
(*b*) If agreement between the contracting parties primarily concerned is reached but any other contracting party determined under paragraph 1 of this Article to have a substantial interest is not satisfied, such other contracting party shall be free, not later than six months after action under such agreement is taken, to withdraw, upon the expiration of thirty days from the day on which written notice of such withdrawal is received by the CONTRACTING PARTIES, substantially equivalent concessions initially negotiated with a contracting party taking action under such agreement.	

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ARTICLE XXIX. RELATION OF THIS AGREEMENT TO THE CHARTER FOR AN INTERNATIONAL TRADE ORGANIZATION

1. The contracting parties, recognizing that the objectives set forth in the preamble of this Agreement can best be attained through the adoption, by the United Nations Conference on Trade and Employment, of a Charter leading to the creation of an International Trade Organization, undertake, pending their acceptance of such a Charter in accordance with their constitutional procedures, to observe to the fullest extent of their executive authority the general principles of the Draft Charter submitted to the Conference by the Preparatory Committee.

2. (a) 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; *Provided* that within sixty days of the closing of the United Nations Conference on Trade and Employment any contracting party may lodge with the other contracting parties an objection to any provision or provisions of this Agreement being so suspended and superseded; in such case the contracting parties shall, within sixty days after the final date for the lodging of objections, confer to consider the objection in order to agree whether the provisions of the Charter to which objection has been lodged, or the corresponding provision of this Agreement in its existing form or any amended form, shall apply.

(*b*) The contracting parties will also agree concerning the transfer to the International Trade Organization of their functions under Article XXV.

3. If any contracting party has not accepted the Charter when it has entered into force, the contracting parties shall confer to agree whether, and if so in what way, this Agreement, insofar as it affects relations between the contracting party which has not accepted the Charter and other contracting parties, shall be supplemented or amended.

4. During the month of January 1949, should the Charter not have entered into force, or at such earlier time as may be agreed if it is known that the Charter will not enter into force, or at such later time as may be agreed if the Charter ceases to be in force, the contracting parties shall meet to agree whether this Agreement shall be amended, supplemented or maintained.

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No comparable article.

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5. The signatories of the Final Act which are not at the time contracting parties shall be informed of any objection lodged by a contracting party under the provisions of paragraph 2 of this Article and also of any agreement which may be reached between the contracting parties under paragraphs 2, 3 or 4 of this Article.

ARTICLE XXX. AMENDMENTS

1. Except where provisions for modification is made elsewhere in this Agreement, amendments to the provisions of Part I of this Agreement or to the provisions of Article XXIX or of this Article shall become effective upon acceptance by all the contracting parties, and other amendments to this Agreement shall become effective, in respect of those contracting parties which accept them, upon acceptance by two-thirds of the contracting parties and thereafter for each other contracting party upon acceptance by it.

2. Any contracting party accepting an amendment to this Agreement shall deposit an instrument of acceptance with the Secretary-General of the United Nations within such period as the CONTRACTING PARTIES may specify. The CONTRACTING PARTIES may decide that any amendment made effective under this Article is of such a nature that any contracting party which has not accepted it within a period specified by the CONTRACTING PARTIES shall be free to withdraw from this Agreement, or to remain a contracting party with the consent of the CONTRACTING PARTIES.

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ARTICLE 100. AMENDMENTS

1. Any amendment to this Charter which does not alter the obligations of Members shall become effective upon approval by the Conference by a two-thirds majority of the Members.

2. Any amendment which alters the obligations of Members shall, after receiving the approval of the Conference by a two-thirds majority of the Members present and voting, become effective for the Members accepting the amendment upon the ninetieth day after two-thirds of the Members have notified the Director-General of their acceptance, and thereafter for each remaining Member upon acceptance by it. The Conference may, in its decision approving an amendment under this paragraph and by one and the same vote, determine that the amendment is of such a nature that the Members which do not accept it within a specified period after the amendment becomes effective shall be suspended from membership in the Organization; *Provided* that the Conference may, at any time, by a two-thirds majority of the Members present and voting, determine the conditions under which such suspension shall not apply with respect to any such Member.

3. A Member not accepting an amendment under paragraph 2 shall be free to withdraw from the Organization at any time after the amendment has become effective; *Provided*, that the Director-General has received from such Member sixty days' written notice of withdrawal; and *provided further* that the withdrawal of any Member suspended under the provisions of paragraph 2 shall become effective upon the receipt by the Director-General of written notice of withdrawal.

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ARTICLE XXXI. WITHDRAWAL

Without prejudice to the provisions of Article XXIII or of paragraph 2 of Article XX, any contracting party may, on or after January 1, 1951, withdraw from this Agreement, or may separately withdraw on behalf of any of the separate customs territories for which it has international responsibility and which at the time posseses full autonomy in the conduct of its external com-

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4. The Conference shall, by a two-thirds majority of the Members present and voting, determine whether an amendment falls under paragraph 1 or paragraph 2, and shall establish rules with respect to the reinstatement of Members suspended under the provisions of paragraph 2, and any other rules required for carrying out the provisions of this Article.

5. The provisions of Chapter VIII may be amended within the limits and in accordance with the procedure set forth in Annex N.

ANNEX N. SPECIAL AMENDMENT OF CHAPTER VIII

(Referred to in Paragraph 5 of Article 100)

Any amendment to the provisions of Chapter VIII which may be recommended by the Interim Commission for the International Trade Organization after consultation with the International Court of Justice and which relates to review by the Court of matters which arise out of the Charter but which are not already covered in Chap-VIII, shall become effective upon approval by the Conference, at its first regular session, by a vote of a majority of the Members; *Provided* that such amendment shall not provide for review by the Court of any economic or financial fact as established by or through the Organization; and *Provided further* that such amendment shall not affect the obligation of Members to accept the advisory opinion of the Court as binding on the Organization upon the points covered by such opinion; and *Provided further* that, if such amendment alters the obligations of Members, any Member which does not accept the amendment may withdraw from the Organization upon the expiration of sixty days from the day on which written notice of such withdrawal is received by the Director-General.

ARTICLE 102. WITHDRAWAL AND TERMINATION

1. Without prejudice to any special provision in this Charter relating to withdrawal, any Member may withdraw from the Organization, either in respect of itself or of a separate customs territory on behalf of which it has accepted the Charter in accordance with the provisions of Article 104, at any time after three years from the day of the entry into force of the Charter.

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mercial relations and of the other matters provided for in this Agreement. The withdrawal shall take effect on or after January 1, 1951, upon the expiration of six months from the day on which written notice of withdrawal is received by the Secretary-General of the United Nations.

ARTICLE XXXII. CONTRACTING PARTIES

1. The contracting parties to this Agreement shall be understood to mean those governments which are applying the provisions of this Agreement under Articles XXVI or XXXIII or pursuant to the Protocol of Povisional Application.

2. At any time after the entry into force of this Agreement pursuant to paragraph 5 of Article XXVI, those contracting parties which have accepted this Agreement pursuant to paragraph 3 of Article XXVI may decide that any contracting party which has not so accepted it shall cease to be a contracting party.

ARTICLE XXXIII. ACCESSION

A government not party to this Agreement, or a government acting on behalf of a separate customs territory possessing full autonomy in the conduct of its external commercial relations and of the other matters provided for in this Agreement, may accede to this Agreement, on its own behalf or on behalf of that territory, on terms to be agreed between such government and the CONTRACTING PARTIES. Decisions of the

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2. A withdrawal under paragraph 1 shall become effective upon the expiration of six months from the day on which written notice of such withdrawal is received by the Director-General. The Director-General shall immediately notify all the Members of any notice of withdrawal which he may receive under this or other provisions of the Charter.

3. This Charter may be terminated at any time by agreement of three-fourths of the Members.

ARTICLE 71. MEMBERSHIP

1. The original Members of the Organization shall be:

(*a*) those States invited to the United Nations Conference on Trade and Employment whose governments accept this Charter, in accordance with the provisions of paragraph 1 of Article 103, by September 30, 1949 or, if the Charter shall not have entered into force by that date, those States whose governments agree to bring the Charter into force in accordance with the provisions of paragraph 2 (*b*) of Article 103;

(*b*) those separate customs territories invited to the United Nations Conference on Trade and Employment on whose behalf the competent Member accepts this Charter, in accordance with the provisions of Article 104, by September 30, 1949 or, if the Charter shall not have entered into force by that date, such separate customs territories which agree to bring the Charter into force in accordance with the provisions of paragraph 2 (*b*) of Article 103 and on whose behalf the competent Member accepts the Charter in accordance with the provisions of Article 104. If any of these customs territories shall have become fully responsible for the formal conduct of its diplomatic relations by the time it wishes to deposit an instrument of acceptance, it shall proceed in the manner set forth in subparagraph (*a*) of this paragraph.

2. Any other State whose membership has been approved by the Conference shall become a Member of the Organization upon its acceptance, in accordance with the provisions of paragraph 1 of Article 103, of the Charter as amended up to the date of such acceptance.

3. Any separate customs territory not invited to the United Nations Conference on Trade and Employment, proposed by the competent Member having

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CONTRACTING PARTIES under this paragraph shall be taken by a two-thirds majority.	responsibility for the formal conduct of its diplomatic relations and which is autonomous in the conduct of its external comercial relations and of the other matters provided for in this Charter and whose admission is approved by the Conference, shall become a Member upon acceptance of the Charter on its behalf by the competent Member in accordance with the provisions of Article 104 or, in the case of a territory in respect of which the Charter has already been accepted under that Article, upon such approval by the Conference after it has acquired such autonomy.
ARTICLE XXXIV. ANNEXES	ARTICLE 105. ANNEXES
The annexes to this Agreement are hereby made an integral part of this Agreement.	The Annexes to this Charter form an integral part thereof.
ARTICLE XXXV	
1. Without prejudice to the provisions of paragraph 5 (*b*) of Article XXV or to the obligations of a contracting party pursuant to paragraph 1 of Article XXIX, this Agreement, or alternatively Article II of this Agreement, shall not apply as between any contracting party and any other contracting party if: (*a*) the two contracting parties have not entered into tariff negotiations with each other, and (*b*) either of the contracting parties, at the time either becomes a contracting party, does not consent to such application. 2. The CONTRACTING PARTIES may, at any time before the Havana Charter enters into force, review the operation of this Article in particular cases at the request of any contracting party and make appropriate recommendations.	No comparable article.
ANNEX A. LIST OF TERRITORIES REFERRED TO IN PARAGRAPH 2 (A) OF ARTICLE I	ANNEX A. LIST OF TERRITORIES REFERRED TO IN PARAGRAPH 2 (A) OF ARTICLE 16
United Kingdom of Great Britain and Northern Ireland Dependent territories of the United Kingdom of Great Britain and Northern Ireland Canada Commonwealth of Australia Dependent territories of the Commonwealth of Australia New Zealand Dependent territories of New Zealand Union of South Africa including South West Africa Ireland	United Kingdom of Great Britain and Northern Ireland Dependent territories of the United Kingdom of Great Britain and Northern Ireland Canada Commonwealth of Australia Dependent territories of the Commonwealth of Australia New Zealand Dependent territories of New Zealand Union of South Africa including South West Africa Ireland

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India (as on April 10, 1947)
Newfoundland
Southern Rhodesia
Burma
Ceylon

Certain of the territories listed above have two or more preferential rates in force for certain products. Any such territory may, by agreement with the other contracting parties which are principal suppliers of such products at the most-favoured-nation rate, substitute for such preferential rates a single preferential rate which shall not on the whole be less favourable to suppliers at the most-favoured-nation rate than the preferences in force prior to such substitution.

The imposition of an equivalent margin of tariff preference to replace a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories listed in this Annex or to replace the preferential quantitative arrangements described in the following paragraph, shall not be deemed to constitute an increase in a margin of tariff preference.

The preferential arrangements referred in paragraph 5 (b) of Article XIV are those existing in the United Kingdom on April 10, 1947, under contractual agreements with the Governments of Canada, Australia and New Zealand, in respect of chilled and frozen beef and veal, frozen mutton and lamb, chilled and frozen pork, and bacon. It is the intention, without prejudice to any action taken under part I (h) of Article XX, that these arrangements shall be eliminated or replaced by tariff preferences, and that negotiations to this end shall take place as soon as practicable among the countries substantially concerned or involved.

The film hire tax in force in New Zealand on April 10, 1947, shall, for the purposes of this Agreement, be treated as a customs duty under Article I. The renters' film quota in force in New Zealand on April 10, 1947, shall, for the purposes of this Agreement, be treated as a screen quota under Article IV.

The Dominions of India and Pakistan have not been mentioned separately in the above list since they had not come into existence as such on the base date of April 10, 1947.

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India (as at April 10, 1947)
Newfoundland
Southern Rhodesia
Burma
Ceylon

Certain of the territories listed above have two or more preferential rates in force for certain products. Any such territory may, by agreement with the other Members which are principal suppliers of such products at the most-favoured-nation rate, substitute for such preferential rates a single preferential rate which shall not on the whole be less favourable to suppliers at the most-favoured-nation rate than the preferences in force prior to such substitution.

The preferential arrangements referred to in paragraph 5 (*b*) of Article 23 are those existing in the United Kingdom on April 10, 1947, under contractual agreements with the Governments of Canada, Australia and New Zealand, in respect of chilled and frozen beef and veal, frozen mutton and lamb, chilled and frozen pork, and bacon. Without prejudice to any action taken under paragraph 1 (*a*) (ix) of Article 45, negotiations shall be entered into when practicable among the countries substantially concerned or involved, in the manner provided for in Article 17, for the elimination of these arrangements or their replacement by tariff preferences. If after such negotiations have taken place a tariff preference is created or an existing tariff preference is increased to replace these arrangements such action shall not be considered to contravene the provisions of Article 16 or Article 17.

The film hire tax in force in New Zealand on April 10, 1947 shall, for the purpose of this Charter, be treated as a customs duty falling under Articles 16 and 17. The renters' film quota in force in New Zealand on April 10, 1947, shall for the purposes of this Charter be treated as a screen quota falling under Article 19.

The Dominions of India and Pakistan have not been mentioned separately in the above list since they had not come into existence as such on the base date of April 10, 1947.

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ANNEX B. LIST OF TERRITORIES OF THE FRENCH UNION REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE I

France
French Equatorial Africa (Treaty Basin of the Congo[1] and other territories)
French West Africa
Cameroons under French Mandate[1]
French Somali Coast and Dependencies
French Establishments in India[1]
French Establishments in Oceania
French Establishments in the Condominium of the New Hebrides[1]
Guadeloupe and Dependencies
French Guiana
Indo-China
Madagascar and Dependencies
Morocco (French zone)[1]
Martinique
New Caledonia and Dependencies
Réunion
Saint-Pierre and Miquelon
Togo under French Mandate[1]
Tunisia

ANNEX C. LIST OF TERRITORIES OF THE CUSTOMS UNION OF BELGIUM, LUXEMBOURG AND THE NETHERLANDS REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE I

The Econimic Union of Belgium and Luxembourg
Belgian Congo
Ruanda Urundi
Netherlands
Netherlands Indies
Surinam
Curaçao
(For imports into the metropolitan territories constituting the Customs Union.)

ANNEX D. LIST OF TERRITORIES REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE I AS RESPECTS THE UNITED STATES OF AMERICA

United States of America (customs territory)
Dependent territories of the United States of America
Republic of the Philippines
The imposition of an equivalent margin of tariff preference to replace a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories listed in this Annex shall not be deemed to constitute an increase in a margin of tariff preference.

[1] For imports into Metropolitan France and territories of the French Union.

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ANNEX B. LIST OF TERRITORIES OF THE FRENCH UNION REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE 16

France
French Equatorial Africa (Treaty Basin of the Congo[1] and other territories)
French West Africa
Cameroons under French Mandate[1]
French Somali Coast and Dependencies
French Establishments in India[1]
French Establishments in Oceania
French Establishments in the Condominium of the New Hebrides[1]
Guadeloupe and Dependencies
French Guiana
Indo-China
Madagascar and Dependencies
Morocco (French zone)[1]
Martinique
New Caledonia and Dependencies
Reunion
Saint-Pierre and Miquelon
Togo under French Mandate[1]
Tunisia

ANNEX C. LIST OF TERRITORIES OF THE CUSTOMS UNION OF BELGIUM, LUXEMBOURG AND THE NETHERLANDS REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE 16

The Economic Union of Belgium and Luxembourg
Belgian Congo
Ruanda Urundi
The Netherlands
Netherlands Indies
Surinam
Curaçao
(For imports into the metropolitan territories of the Customs Union.)

ANNEX D. LIST OF TERRITORIES OF THE UNITED STATES OF AMERICA REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE 16

United States of America (customs territory)
Dependent territories of the United States of America

[1] For imports into Metropolitan France and territories of the French Union.

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ANNEX E. LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN CHILE AND NEIGHBORING COUNTRIES REFERRED TO IN PARAGRAPH 2 (D) OF ARTICLE I	ANNEX F. LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN CHILE AND NEIGHBOURING COUNTRIES REFERRED TO IN PARAGRAPH 2 (E) OF ARTICLE 16
Pereferences in force exclusively between Chile, on the one hand, and 1. Argentina 2. Bolivia 3. Peru on the other hand.	Preferences in force exclusively between, on the one hand, Chile and, on the other hand, 1. Argentina 2. Bolivia 3. Peru, respectively.
ANNEX F. LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN LEBANON AND SYRIA AND NEIGHBOURING COUNTRIES REFERRED TO IN PARAGRAPH 2 (D) OF ARTICLE I	ANNEX G. LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN THE SYRO-LEBANESE CUSTOMS UNION AND NEIGHBOURING COUNTRIES REFERRED TO IN PARAGRAPH 2 (E) OF ARTICLE 16
Preferences in force exclusively between the Lebano-Syrian Customs Union, on the one hand, and 1. Palestine 2. Transjordan on the other hand.	Preferences in force exclusively between, on the on hand, The Syro-Lebanese Customs Union and, on the other hand, 1. Palestine 2. Transjordan, respectively.
ANNEX G. DATES ESTABLISHING MAXIMUM MARGINS OF PREFERENCE REFERRED TO IN PARAGRAPH 3 OF ARTICLE I	
Australia, October 15, 1946 Canada, July 1, 1939 France, January 1, 1939 Lebano-Syrian Customs Union, November 30, 1939 Union of South Africa, July 1, 1938 Southern Rhodesia, May 1, 1941	No comparable annex.
ANNEX H. PERCENTAGE SHARES OF TOTAL EXTERNAL TRADE TO BE USED FOR THE PURPOSE OF MAKING THE DETERMINATION REFERRED TO IN ARTICLE XXVI	
(Based on the average of 1938 and the latest twelve months for which figures are available)	

	Percentage
Australia	3.2
Belgium-Luxemburg-Netherlands	10.9
Brazil	2.8
Burma	0.7
Canada	7.2
Ceylon	0.6
Chile	0.6
China	2.7
Cuba	0.9
Czechoslovakia	1.4
French Union	9.4
India, Pakistan	[1] 3.3
New Zealand	1.2
Norway	1.5
Southern Rhodesia	0.3

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	Percentage
Lebano-Syrian Customs Union--	0.1
Union of South Africa----------	2.3
United Kingdom of Great Britain and Northern Ireland--------	25.7
United States of America-------	25.2
	100.0

[1] The allocation of this percentage will be made by agreement between the governments of India and Pakistan and will be communicated as soon as possible to the Secretary-General of the United Nations.

NOTE.—These percentages have been determined taking into account the trade of all territories for which countries mentioned above have international responsibility and which are not self-governing in matters dealt with in the General Agreement on Tariffs and Trade.

ANNEX I. INTERPRETATIVE NOTES	ANNEX F. INTERPRETATIVE NOTES
(Shown above, following articles to which they relate.)	(Notes relating to articles printed above are shown following the articles to which they relate.)
ANNEX J	ANNEX K
(Shown above following Article XIV.)	(Shown above opposite Annex J following Article XIV of Gatt.)
FINAL NOTE	
The applicability of the General Agreement on Tariffs and Trade to the trade of contracting parties with the areas under military occupation has not been dealt with and is reserved for further study at an early date. Meanwhile, nothing in this Agreement shall be taken to prejudge the issues involved. This, of course, does not affect the applicability of the provisions of Articles XXII and XXIII to matters arising from such trade.	No comparable note.

The CHAIRMAN. Are there any further questions from Mr. Brown? Is this section 6 applicable only in the case of Cuba?

Mr. BROWN. Not exactly that, sir.

The CHAIRMAN. You say it has a broader application than merely to Cuban products?

Mr. BROWN. Could I give an illustration? Perhaps that is the easiest way to do that.

The CHAIRMAN. Yes, you may.

Mr. BROWN. You take the rates on marine chronometers. Under the Tariff Act of 1930, it was 65 percent. It was reduced, in the trade agreement with Great Britain, to 32½ percent in 1938. Therefore, on January 1, 1945, the rate on marine chronometers was 32½ percent. The rate on a marine chronometer coming in from Cuba would be 20 percent less, under the 20 percent preference that we have with Cuba.

The CHAIRMAN. That applies to all Cuban products, generally speaking, does it?

Mr. BROWN. There are a good many where it is more, but it is at least that much.

The CHAIRMAN. But they have preference, and they are given preferential treatment?

Mr. BROWN. That is right.

The CHAIRMAN. What is it on sugar, do you recall?

Mr. BROWN. It is something like 17 cents.

Marine chronometers were left out of the Geneva agreement. Therefore, the President could have proclaimed the rate under the 1930 act, that is, 65 percent. But because of the fact that we could not, under the law, increase the Cuban rate by more than 50 percent of the rate existing on January 1, 1945, we could only put the Cuban rate up 50 percent. And because we had agreed not to increase the absolute margin of preference on any item, we could not put the original most favored nation rate back all of the way up to 65. We could only put it up to 45½.

The CHAIRMAN. So this amendment is made to enable you to give full effect upward?

Mr. BROWN. Yes; because as you see, 50 percent up is usually a smaller amount than 50 percent down would be, so it has a limited effect.

Mr. THORP. I would like to make sure that the Cuban point is clear. It is a complicated point of percentages and absolute amounts, and therefore what happens is that if you have a lower set of rates with 20 percent between them as a difference, and you move both of those rates up 50 percent, the gap, which is still 20 percent between them, is a gap which is wider in absolute amount than the gap which you had in the first place. But we have agreed not to increase the absolute gaps in any preferences, and therefore what happens is that under the present regulations we can raise the Cuban rate 50 percent, but the other rate we cannot raise more than perhaps 45 percent, in order to maintain the absolute gap. And what we want to do is to be able to get relaxation from the Cuban situation so that it can be raised up to the point where it is just the same absolute preference.

Senator MILLIKIN. What is the impact of this on the sugar situation?

Mr. THORP. There is no impact on the sugar industry.

Senator MILLIKIN. I will take the fault on myself exclusively. I got thrown off on a curve a little while back, and if we might get a written explanation of this paragraph, with illustrations, I would appreciate it.

Mr. BROWN. We have a memorandum here which gives two illustrations, or three illustrations. I think it is a fairly clear illustration.

Senator MILLIKIN. Would you put it in the record?

Mr. BROWN. Yes.

(The memorandum is as follows:)

EXPLANATION OF PROPOSED AMENDMENT TO SECTION 350 (b) OF THE TARIFF ACT DESIGNED TO REDUCE CUBAN PREFERENCE COMPLICATIONS

Under the 1934 trade agreement with Cuba, as amended, the United States agreed, generally, to continue the preferential regime under the treaty of 1902, by (1) according to duty-free treatment of certain articles of Cuban origin which were dutiable when originating in other countries, and (2) providing, in the case of all other Cuban products, preferential reductions from the rates applicable to products of other countries, the preferential margins, the maintenance of which was agreed upon in the trade agreement, varying from 20 percent to 50 percent of the lowest rate applicable to other countries.

The general agreement on tariffs and trade represents a concerted effort on the part of the United States and the other contracting parties to that agreement to obtain the elimination or reduction of tariff preferences accorded by certain of these countries, such as the tariff preferences in the British Commonwealth and between the United States and Cuba. Consequently, in the negotiation of this agreement the United States undertook to eliminate certain tariff preferences accorded to Cuba and to reduce other such preferences. The United States also agreed, along with all the other contracting parties, not to increase preferences on any product above the absolute margin [1] of preference existing on a specified date which, in the case of the United States and several other countries, was the date of the beginning of the Geneva negotiations on April 10, 1947.

However, as a result of questions arising from the specific limitations in section 350 of the Tariff Act upon the President's authority to proclaim modifications of customs treatment, full effect was not given, in the proclamations giving effect to the general agreement and the contemporaneous supplementary agreement with Cuba, to all modifications of the preferential treatment of Cuban products, or to all modifications in the rates applicable to other countries, which the Cuban and other governments had indicated were acceptable.

An example is the situation with respect to parts of certain standard marine chronometers. The rate on such articles under paragraph 368 (c) (6) of the Tariff Act of 1930 was 65 percent ad valorem which had been reduced to 32½ percent pursuant to the trade agreement of 1938 with the United Kingdom, effective in 1939. Thus on January 1, 1945, the rate applicable to products of the United Kingdom and products of other countries to which the trade-agreement rates were applicable was 32½ percent and the rate applicable to such articles produced in Cuba was this rate less 20 percent thereof, or 26 percent ad valorem.

Since such chronometer parts were not included in the General Agreement and since the 1938 trade agreement with the United Kingdom was suspended, it would have been expected that the rate applicable to products of countries other than Cuba would increase from 32½ percent to the statutory rate of 65 percent. However, under the limitations upon the President's authority to proclaim increases in duty, as amended in 1945, he is precluded from proclaiming a rate for such chronometer parts the product of Cuba, in order to carry out a trade agreement, in excess of 50 percent above the rate in effect January 1, 1945, that is in excess of 39 percent (26 plus 13). Since the absolute margin of preference applicable to Cuban chronometer parts on April 10, 1947, was 6½ percent ad valorem (32½ minus 26), the United States could not, consistently with its undertaking not to increase preferences above the margins existing on April 10, 1947, provide for a rate applicable to countries other than Cuba in excess of 45½ percent (39 plus 6½). Thus in proclamation 2769 of January 30, 1948, the President proclaimed the rate of 39 percent ad valorem for such Cuban chronometer parts, and 45½ percent for like products of other countries.

These rates resulted from the limitation upon the President's authority to increase rates and the undertaking not to increase preferences, although the United Kingdom had agreed to an increase in the rate to the statutory rate of 65 percent. Moreover, the Cuban Government had agreed, in the supplementary agreement, to the elimination of the preference since no such chronometer parts were imported from Cuba during specified resent years named in the supplementary agreement. The new proviso to section 350 (b) is designed to permit the increase of the rate on the Cuban product by more than 50 percent of the January 1, 1945, rate (from 26 percent ad valorem to 65 percent ad valorem) in such a case. If any such chronometer parts had been imported from Cuba during the years specified in the supplementary agreement the Cuban Government would have agreed to the maintenance merely of the April 10, 1947, margin of preference (6½ percent ad valorem), which would have resulted in a Cuban rate of 58½ percent (65 minus 6½). The proposed amendment is also designed to permit, in such a case, an increase in excess of 50 percent of the January 1, 1945, rate (from 26 percent ad valorem to 58½ percent ad valorem).

Notwithstanding the fact that schedule XX of the general agreement provides for an increase in the rate of duty on certain sardines from 30 percent ad valorem,

[1] In the general agreement preferences are measured by the absolute margin rather than by a percentage of the rate applicable to other countries.

under paragraph 718 (a) of the Tariff Act of 1930, to 44 percent, because of this 50-percent limitation on the authority to increase duties on Cuban products the President, in proclamation 2792 of June 25, 1948, proclaimed a rate of 36 percent for such Cuban sardines and only 42 percent for such sardines of other countries. Thus the limitation prevented giving full effect to the 44-percent rate which had been negotiated.

Because of questions with respect to the scope of the provision in section 350 designed to prevent transferring an article between the dutiable and free lists, the general agreement does not make dutiable any of the Cuban products which had previously been preferentially free of duty. However, the last item in schedule XX, containing the concessions made by the United States, provides that certain of these preferentially duty-free Cuban products should be free, subject to the provisions of the agreement relative to the fixing of margins of preference in the event that the rate to other countries should be modified. Under these provisions an increase in the rate for products of other countries would be dependent on the imposition on the Cuban product of a duty equal to the amount of such increase, in order to prevent a resulting margin of preference in excess of that on April 10, 1947. By the last item in the schedule Cuba has agreed to the imposition of the duty in such cases, and the proposed amendment would remove any doubt as to the authority to impose on the Cuban product such customs treatment which, while still preferential, would be more burdensome than the present treatment. Furthermore, if Cuba should agree to the elimination of the preferential treatment on any of the articles covered by this last item in schedule XX, the amendment would also permit the application to such Cuban products of the same duty as is applicable to like articles produced in other countries.

The above are the principal situations to which the proposed amendment would apply, although it would also permit other types of simplification of the complications which have resulted from attempts to reduce or eliminate Cuban preferences under the limitations upon increase contained in section 350.

The amendment would give the President no new authority with respect to the reduction of duties, and contains no authority to make free any articles which have previously been dutiable. It would only authorize the President, in order to carry out a trade agreement, to increase duties on Cuban products or proclaim duties for Cuban articles which are now preferentially duty-free. It would not, on the other hand, authorize the proclamation of any duty for a Cuban product higher than that applicable to the like products of other countries. In other words, it merely permits the President when providing more burdensome customs treatment for a Cuban product, whether now dutiable or free, to fix a duty therefor at any point between the existing customs treatment for such product and a point no higher or more burdensome than any customs treatment that may be provided for the products of other countries.

It will prevent the limitations on increases in duty from inadvertently impeding the reduction and elimination of tariff preferences by the United States in return for such reductions and eliminations by other countries, and will permit the removal from the United States tariff of complications as to rates, such as those for chronometer parts, for which there is no economic justification.

The CHAIRMAN. Are there any other questions?

Senator MILLIKIN. I would like to call Mr. Thorp's attention to the fact that the Tariff Commission, under the escape clause, does establish the peril points.

Mr. THORP. That is correct.

Senator MILLIKIN. I think it should be said, in fairness, that at that stage of the game it has more information than it probably would have prior to the time the trouble developed.

Mr. THORP. Yes, sir.

The CHAIRMAN. Senator Williams, have you any questions?

Senator WILLIAMS. No, Mr. Chairman.

The CHAIRMAN. All right, Mr. Secretary, I think that is all. I suppose that you might be excused if you wish to be. You may have to come back at some later date.

Mr. THORP. I shall be at the command of the committee any time that I can be helpful.

The CHAIRMAN. We will give you notice. Senator Millikin will have further questions; and Senator Lucas desired to ask a very few questions, he said, but he did want to ask you about some matter. You will be notified at some later date in the hearing.

Senator MILLIKIN. Mr. Chairman, if Mr. Thorp could find out and get a little closer information on when we might expect ITO, it might save us an enormous amount of work in this immediate matter.

Mr. THORP. I think that you made that suggestion this morning, and I will have it in mind.

The CHAIRMAN. Will you advise the committee on that point, Mr. Thorp? We will be very glad to have it, and as early as you can get it, too.

Mr. Clayton, you may come forward, and will you proceed? We do not have a very full attendance, but some of the other members will come in during the afternoon.

STATEMENT OF WILLIAM L. CLAYTON, FORMER UNDER SECRETARY OF STATE, DEPARTMENT OF STATE

The CHAIRMAN. Have you noticed, in H. R. 1211, what changes have been made by the House?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. We will be very glad to hear you, Mr. Clayton, preceding your statement with your prior experience in connection with the administration of the Reciprocal Trade Agreements Act.

Mr. CLAYTON. Mr. Chairman and gentlemen, my name is William L. Clayton, and I am at present chairman of the board of Anderson, Clayton & Co., of Houston, Tex.

In all my business career, Mr. Chairman, I have had to do with international trade. In 1940 I resigned my position as chairman of the board of Anderson, Clayton & Co. and came to Washington to enter public service; and with the exception of about a year, for the next 8½ years I was a Government servant; and during all of that period, with the exception of about a year, I was in positions which had to do with international trade and international economic conditions.

I have all my life not only had some experience in these matters, but I have studied them very carefully and watched developments and conditions from time to time, because it was a matter in which I was very much interested.

I think, Mr. Chairman, that in the present circumstances and conditions in the world, the reciprocal trade agreements program and its continuation in its original form, or about its original form, is more important today than it has been at any time in my experience. The Congress has before it today the consideration of a continuation of the ECA, the European recovery program, and has under consideration the authorization and appropriation of some 5½ billion dollars to cover the cost of that program for the next 15 months. We have in consequence heard a good deal about conditions in Europe in the 16 ERP countries. The matter has been discussed extensively in the newspapers, and persons of authority have given their opinions as to the rate of recovery in these European countries.

All of us are wondering whether, in a continuation of the program, the program will be successful in accomplishing its objectives.

Their principal objective is that at the end of the program these 16 countries shall have been restored to a condition of financial and economic independence, coupled with the restoration of a decent standard of living for their people.

Now, I have followed that program rather closely, and I think it is remarkable that the recovery of production has proceeded as fast and as satisfactorily as it has in nearly all of the countries, particularly in industrial production, which is now, as you know, substantially above prewar in volume. The situation seems to be that that improvement will continue for the years to come, the next 2 or 3 years anyway, provided there is a market for the products, for the goods themselves.

That market depends on several things, not the least of which, and I think the most important of which, under the present circumstances, is the reduction of barriers and impediments around the world to the movement of goods between countries, not only between these particular 16 countries and the rest of the world but between the other 50 or 60 countries in the world, because we are all, throughout the world, today so closely knit together in these matters that we must have world-wide reduction of impediments and barriers to trade so that goods may move more freely between nations. Otherwise, the necessary expansion in production, distribution, and consumption of goods around the world cannot take place.

I think if markets can be found for the greatly increased and increasing production of these 16 countries in Europe the chances are very good, indeed, that the objective of the ERP will be attained at the end of the 4- or 4½-year period. But if such markets cannot be found, it is useless to go on producing goods for which you have not satisfactory markets. In that case, I do not think that the objectives would be attained.

Our exports today are running, of course, very heavily over our imports. We are in the position of giving away that surplus of exports over imports. We cannot go on indefinitely doing so. We must increase our imports as time goes on. We should increase them to help provide a market for the goods of these European countries and other countries and help increase our standard of living and give us greater variety and quality of goods and get paid for our labor and our materials from this country.

So that I feel that it is highly important that the reciprocal-trade-agreements program be continued, and continued in pretty much the form in which it operated so successfully up to last year when the Eightieth Congress placed amendments in the law and changed the procedures under the law in such a way that I think the effect was to very materially and unfavorably affect the program.

Specifically, the Congress provided in the bill passed by the Eightieth Congress that the Tariff Commission or any representative on the Tariff Commission should no longer participate in the Interdepartmental Trade Agreements Committee, the Committee on Reciprocity Information, or the different teams that were negotiating these agreements. I think that that is a very bad provision to take from the program the immediate and direct help of the Tariff Commission, with their experience in these matters.

Then the bill passed by the Eightieth Congress provided that, on all commodities on which trade agreements were to be negotiated (im-

port commodities), the Tariff Commission should be informed of those commodities and should have hearings and make a determination of the lowest point to which the tariff could be reduced without peril to domestic industries or threat of serious injury; and that this report (the results of this investigation) should be submitted directly to the President of the United States and taken into consideration by him in his action.

I think, Mr. Chairman, that that is a very bad provision, from two points of view. One is that it bypasses the Interdepartmental Trade Agreements Committee, and much reduces the effect of what they have to say. It bypasses them and goes directly to the President, and puts the President potentially and perhaps in many cases actually in conflict with a department of the Government—the Tariff Commission.

I think that that is a bad provision, and I think that it should be done away with. It assumes, to begin with, that this matter of the degree of protection which an industry must have in this country is something that can be mathematically and scientifically arrived at. In my judgment, Mr. Chairman, that is not the case. It is not something that can be mathematically and scientifically determined. It never has been so; it has never been so in making tariffs by the Congress, and it cannot be so in any determination that the Tariff Commission may make with regard to the so-called peril points.

They are my principal objections to the bill passed by the Eightieth Congress, and I want to strongly urge upon the committee the adoption of the present bill before them which, as I understand, will correct those points and in effect restore the trade-agreements program to its original vitality and usefulness.

The CHAIRMAN. Substantially, I think it would be agreed that it does restore it to the action taken by Congress at the last regular session of the Eightieth Congress, as I recall it.

You think that the Reciprocal Trade Agreements Act may have a better chance of application in this postwar period than it did have during the war period itself?

Mr. CLAYTON. Yes, Mr. Chairman. You cannot do much in these matters while war is on. All you can do is prepare and get ready for the postwar period, and the real work should be and can be done now.

We made a very substantial start at Geneva in 1947, and there is still much more work to be done.

I made the statement last year, and I still am of that same opinion, that under the law as it stands today it is very improbable that any worth-while trade agreements can be negotiated.

The CHAIRMAN. Are there any questions?

Senator MILLIKIN. I would like to have your explanation of that last remark.

Mr. CLAYTON. I think, Senator Millikin, that the handling of the so-called peril points by the Tariff Commission in the way set up in the bill, in which they make these determinations and pass the information on to the President, in which case he may only deviate from the indicated peril point by making known to the Congress and the public the decision of the Tariff Commission in the matter, I think that that situation will act pretty effectually to prevent any worth-while trade agreements being negotiated.

To begin with, the President of the United States would, I think, find considerable difficulty in making a decision in a matter of that kind contrary to the advice which had been given to him by the Commission, which is supposed to know the answers. So that in effect, whatever the Tariff Commission set down on a piece of paper and passed on to the President would be the point below which no tariffs could be cut, in my opinion.

Now, I think the Tariff Commission is a very fine body. I have had a great deal to do with them while I was in the State Department and in the Department of Commerce. I found them very helpful in all of the activities with which I had anything to do in Government, very useful and very serious and hard working and experienced. But I take the position, Senator Millikin, that there is no body of men who can sit down and mathematically or scientifically find the peril point of which you speak. It simply cannot be done, and if it could be done today it would not be of any use tomorrow, because conditions change too fast. And the result will be that, with all of the pressures that will be brought by the pressure groups and the groups that are looking for protection—and most protectionists want protection, and they do not want any competition from abroad. I have seen them complain very bitterly when 2 percent of the consumption in the country came in in the form of imports. They do not like that. They would rather have 99.9 percent of the market. That is human, and I am not complaining.

Senator MILLIKIN. You have the fanatics on both sides. You have the free-trade fanatic and the other. The law as it presently stands does not compel either brand of fanaticism.

Mr. CLAYTON. You are right. But I think that you would find and will find, in the operation of a law such as we have on the statute books today, that all of the pressure groups in the country will be bearing down on the Tariff Commission, and they know how to do it. They are used to it, and they are experienced in that sort of thing, and they will do it and do it well; and the result will be that, in order to be safe and be on the safe side, this peril point will be pretty high, just to be sure that it is high enough.

I think in time, with that kind of pressure and that kind of procedure, that the Tariff Commission will itself become inevitably and certainly more or less the department of the Government that represents the protected interests. I do not think it can be otherwise.

Senator MILLIKIN. I remind you, in your testimony a year ago you stated that that very type of pressure was applied to the Interdepartmental Committee.

Mr. CLAYTON. The difference is this: It is applied to the Interdepartmental Committee, but I do not think nearly so assiduously and so persistently as it would be if there were one Commission, one department of the Government charged with this single responsibility by a specific act of Congress. I do not think that the pressure that we see today on the Interdepartmental Committee is so great as it would be in the other case; but, even so, we have other elements coming before the Interdepartmental Committee. We have consumers' groups and we have export groups and we have different segments of the community that are coming there to state their case. I do not think that you would have them much before the Tariff Commission.

Senator MILLIKIN. I do not quite get the import of your argument. Last year you testified that the Interdepartmental Committee was under pressure. You also made the point that the Tariff Commission would be under pressure. I have no doubt that any group which you set up that affects our economy might come under pressure.

When you argue that out, you reach the conclusion that you should not have anybody with any authority to decide any problem, because you might come under pressure.

Mr. CLAYTON. No, sir. Let me see if I can make the distinction for you, Senator Millikin.

The Interdepartmental Committee is composed of representatives of about seven or eight departments of Government: the State Department, the Treasury Department, the Commerce Department, the Agriculture Department, the Department of Labor, the National Military Establishment—I guess there are about seven or eight. There are representatives of those seven or eight different departments. So that while the pressure groups will come before the committee and they will give their testimony, as soon as the testimony is over the committee disperses, and to bring pressure the protected interests would have to direct it against seven or eight departments of Government instead of one.

Now, when you have got the Tariff Commission hearing it, the only group that is hearing it, that is just one group. You go at their staff and you go at their experts and you go at their economists and you go at their Commissioners, and you bring that pressure on them night and day—breakfast, lunch, and dinner.

Senator MILLIKIN. The exporters have an equal interest, and they bring the pressure to bear on Commerce. There are national-defense angles, and pressures are brought on the Military Establishment. There are agricultural elements, and pressures are brought on Agriculture. No matter where you center this authority, you are bound to have some pressure.

Perhaps we should define the term. I do not regard any pressure unwholesome if it consists of a representation of a case.

Mr. CLAYTON. I don't, either.

Senator MILLIKIN. I see no reason to believe that improper pressure would be brought one place any more than it would be in another place. Surely the Tariff Commission is no more attractive to improper pressure than the Commerce Department would be to improper pressure by exporters, or any of these departments would be, from people who have a special interest in the tariffs affecting that particular department.

Mr. CLAYTON. Senator Millikin, I certainly would be far from implying that the Tariff Commission would be more susceptible to that sort of thing than any other department. I would only like to point out that people who have an interest in getting something from the Government in the way of a subsidy or protection are much more persistent. They know their case better, and they work harder; they keep at it night and day while you are asleep. They are working on this problem of trying to get the Government to help them. They would bring that pressure on the Tariff Commission much greater than an exporter who wanted to expand his markets abroad could bring it or would bring it on anybody.

Senator MILLIKIN. Why is that?

Mr. CLAYTON. Simply because they have got more at stake, or think they have more at stake.

Senator MILLIKIN. I do not see see the slightest difference. If you have a business which depends on exports, you have as much at stake as a man who has a business that might be injured by imports. What is the difference?

Mr. CLAYTON. Very few businesses are dependent completely on exports. The automobile industry, we will say, is 10 percent.

Senator MILLIKIN. But they claim that that 10 percent might be the difference between black and red.

Mr. CLAYTON. That is right; it is very important. But if a man thinks that his whole plant and his capital stock and his business generally is dependent on a tariff at a certain rate, he just works a little harder than anybody else does.

Senator MILLIKIN. I suggest the situation is precisely the same whether you consider it in the export aspect or the import aspect. I suggest also that consumers are interested from a strictly consumer standpoint, and they have their pressures. We still have their testimony before we are through here, and I have no objection to it nor any objection to these legitimate pressures. Everybody is entitled to make his view known.

But I most respectfully did not agree with you last year on your pressure argument, and I think the answer is that there is no evidence whatever that the Tariff Commission has come under any improper pressure in connection with the negotiation of the new agreements.

Mr. CLAYTON. I do not imply anything improper at all. But I would like to emphasize, and I believe this very strongly and my experience and observation convince me that the statement is true, that consumer groups are not nearly so active in protecting their interests as producer groups are. The producers are always much more active than the consumer. Our history and everything proves that, and the experience of Congress in writing tariff bills proves it.

Senator MILLIKIN. My mail does not prove it.

Mr. CLAYTON. There never have been such pressures brought on Congress about anything as there have by the tariff interests when a tariff bill is up. I mean, it is a matter of historical knowledge, and we all know that. We saw it in the Smoot-Hawley bill and all of the other tariff bills down the line.

Senator MILLIKIN. Mr. Clayton, I respectfully suggest that the pressure is the same from all who have any interest. You can go to the seaboards where people have a direct shipping interest, and they do not care anything about any kind of protection. They want to ship their goods. I do not blame them at all. So they are interested in shipping goods for the sake of shipping. All of their allied interests—the warehousemen, the customs brokers, the insurance people, the banks, and everybody that is interested—want no tariff of any kind, because they are interested in trade for trade's sake.

You get into other parts of the country and you have a distinct exporting interest, where they figure the difference in the exports is the difference between black and red. I suggest they are just as vigorous for their cause as a fellow who does not want his place put out of business by imports.

I think that you are drawing a very tenuous distinction.

Mr. CLAYTON. My experience is the other way. You may be right. And I would like to repeat that, when I say "pressure," I am not implying anything improper. That is our American system, and every man has got a right to come here and tell you what he thinks ought to be done in a matter of legislation that is going to affect him; and they do come, and I am not implying anything improper. I am only saying that, under this bill as it is today, I think the pressures on the Tariff Commission would be enormous, would be much greater than they are in an interdepartmental committee, and in time that pressure would be so great that the Tariff Commission would, in effect, become a kind of mouthpiece or spokesman for the protected interests.

Senator MILLIKIN. I suggest, and I will speak of my own inquiries on the subject, that the Tariff Commission has experienced no difficulty, embarrassment, nor pressure in connection with the negotiation of the new agreements which it has before it under the 1948 act.

Now, you are speaking of mathematical and scientific determinations. I think a person would be a little loose in the head to say that the Tariff Commission could take a slide rule or a test tube and reach a figure that would be exactly right. I suggest the same thing is true as to the Interdepartmental Committee. The Tariff Commission has a problem of judgment, and they cannot resolve it with a slide rule or a test tube. And the interdepartmental committee, the Department of Commerce, and others have problems of judgment. But that should not abolish the standard of action.

When you carry that argument on—that, because you cannot establish out of a test tube or a slide rule, then you are not going to put any establishment at all—you are getting away from all standards and all relief, I suggest.

Mr. CLAYTON. Senator Millikin, I just express it as my opinion that, in the way in which the law is drawn today, the only standard and almost the only consideration, as a practical matter, in these things would be the finding of the Tariff Commission reported directly to the President.

Senator MILLIKIN. That is correct.

Mr. CLAYTON. In time that is what it would be. And I say that that should not be the only consideration in determining these matters, and the way in which the law is drawn, much too much emphasis is placed on that one point, which is only one point to be taken into consideration.

Senator MILLIKIN. We will come to that a little bit later.

Your objection was, or one of your objections was, that this procedure bypasses the interdepartmental committee.

Mr. CLAYTON. That is right.

Senator MILLIKIN. The interdepartmental committee can continue to receive the data it always received from the Tariff Commission and does. The interdepartmental committee can hold its own hearings as far as export interests are concerned, and does, and as far as consumer interests are concerned, and it does.

What is the special significance of the so-called bypassing?

Mr. CLAYTON. It is this: Suppose that we had in the law that all matters with reference to export industries should go through the Department of Commerce, and the Department of Commerce should make a report directly to the President; and then that all matters that have any connection with the defense of the country should go through

the Military Establishment and they should report directly to the President. I think that that would be very poor administration.

We set up there, under the original Trade Agreements Act in 1934, and gradually improved upon it by experience, a procedure which has worked, and worked well, and it centers everything in the Interdepartmental Committee. They take all of the evidence and sift it and make the decision, and pass on one decision to the President instead of having three or four committees or departments report to him direct.

Senator MILLIKIN. Mr. Clayton, that was the precise reason why the procedure of 1948 was adopted—because we wanted one focused test on safeguarding.

Under your own testimony a year ago, that was not the case. You were talking about taking chances. You looked to the escape clause to mitigate or absolve industry from any danger. It was that precise thing that caused us to draw the new procedure. We wanted at least one source that deals exclusively—not exclusively because the data of the Tariff Commission is available—but a focused source on this simple point of safeguarding, which has been assured to us by President Roosevelt and by yourself and President Truman and by everyone who talks about this, until you really get down to analyze what it amounts to, and then we commence to find exceptions to it, and we will get into those in just a few minutes.

Now, you said it puts the President in conflict with a department of Government. Well, there are hundreds and hundreds of things that are passed up to the President by the various departments which, if he disagreed with, would put him into the same type of conflict, but what does that amount to?

Mr. CLAYTON. That is true, but the President is not required in those cases, I believe, to report the disagreement to Congress and to the country.

Just as a political matter, I think that this is bad procedure. In my opinion, it is bad procedure; and this thing that you say you want at one point—one direct approach to the President—as I said a moment ago, in my opinion, it becomes the only one in time, Senator Millikin. You will not make any progress under the reciprocal trade-agreements program with this kind of procedure, in my opinion; as a practical matter, you will not.

Senator MILLIKIN. I suggest, Mr. Clayton, that whether that becomes the sole source of consideration for the President is entirely up to the President. He has continued these other agencies in being and he is taking their advice. There is no reason in God's world why the Tariff Commission should become the only agency in this business unless the President wills it.

Now, if the Tariff Commission makes a recommendation to him and he goes below that recommendation, why should he not be willing to make an explanation of it? He has all of the information that he has gotten from all of the other departments of the Government to sustain him. Why should he fear making that kind of an explanation, and why are not the people entitled to that kind of an explanation? Why is not the Congress entitled to it?

I called Mr. Thorp's attention this morning to the fact that the President in this matter is an agent of Congress; he is not operating under his own constitutional authority. Here we have this very, very bad situation of an agent of Congress refusing to reveal his records,

and not wanting to make an explanation to the people if he disregards the recommendation of a reputable committee.

Mr. CLAYTON. Senator Millikin, the responsibility is placed by Congress in the President.

Senator MILLIKIN. That is right.

Mr. CLAYTON. Now, I contend that the President, it seems to me, as a matter of good procedure and good government, when the Congress puts the responsibility in him definitely, at least ought to have the right to organize his implementation of that, his procedures, the way in which he gets his information and what he does with it, and his own action under it.

Now, when he takes his action, he has taken an action that everybody can see, that Congress can see; and if he has taken the wrong action, he has already committed himself to correct it in the light of subsequent developments and events, and it seems to me that that is as much as Congress ought to ask of the Chief Executive. They should not ask him to receive information from some agency which says to him, "Mr. President, if you go below this point you are going to imperil this industry;" and then expect him to go contrary to that advice, and if he does, to have to go to Congress and submit the whole matter to them.

Senator MILLIKIN. He does not submit anything but an explanation, the very minimum that could be contrived. Here is a subject matter which is confided, under the Constitution, by the express terms of the Constitution, to Congress. We delegate it to the President as our delegate in the matter, and you are contending that even that thin little explanation of why he goes below the recommendations of a reputable and responsible commission should not have to be made. I ask you why not?

Mr. CLAYTON. Because I do not think that the President, for example, is expected to make explanations of disagreements in his Cabinet, for example, or with some department of the Government. I do not think that he is expected to make an explanation of those things, and I do not think that he ought to be placed in the position of having to divulge the detailed information submitted to him under which he made his decision in this matter.

Senator MILLIKIN. Under the 1948 act, he does not have to divulge anything that he does not want to divulge.

Mr. CLAYTON. He does if he goes under the limit.

Senator MILLIKIN. He is the master of his explanation, and he can say why.

Mr. CLAYTON. With all due respect, Senator Millikin, I think that the provision of having different departments of the Government reporting direct to the President on this matter is wrong. Why not have the Department of Commerce report to him also on the same situation, vis-à-vis the export industry?

Senator MILLIKIN. I have no objection to that whatever, and it does.

Mr. CLAYTON. I mean in this matter.

Senator MILLIKIN. In this matter the reports of Commerce, and this other diluted procedure that you have, go directly to the President.

Mr. CLAYTON. Senator Millikin, in this matter, in the administration of the Trade Agreements program under the previous law, only the decision of the interdepartmental committee goes to the President

unless some member of that committee disagrees with the decision, in which case he presents his case to the President if he disagrees.

Senator MILLIKIN. We have not stopped that procedure; that is still available to the President, and if he wishes he can amplify it.

Mr. CLAYTON. But you select the Tariff Commission out of all of these members, and you expunge their membership in the committee and they can no longer collaborate with the committee and work with the committee in this important matter, and you say to them, "Now, you must go directly to the President." I don't see any more reason for that than having Commerce go.

Senator MILLIKIN. I would be glad to have the Department of Commerce go directly.

Mr. CLAYTON. I think it is wrong, Senator.

Senator MILLIKIN. Now, let us get into this matter about expunging the Tariff Commission, and we have gone over it again and again. The Tariff Commission continues to function as a fact-finding agency for the whole set-up.

Mr. CLAYTON. But they give it to the interdepartmental committee and not the President.

Senator MILLIKIN. And what you had before, you had a member selected from the Tariff Commission to sit on your interdepartmental committee.

Mr. CLAYTON. The Chairman.

Senator MILLIKIN. Yes; representing himself and not obligated to represent his Commission.

Mr. CLAYTON. Well, that is right; he has made that statement. I do not know to what extent, really, the other members represent their respective departments, either, because if some very serious question should arise, they might be overruled, too. I do not know, really, to what extent they represent their own departments.

Senator MILLIKIN. So you have not expunged anything, Mr. Clayton. If the Tariff Commission were sitting there on that interdepartmental committee as a commission and passing on its decision and giving its judgment as a commission, that would be one situation. But the Tariff Commission is merely a category out of which one person is selected, and he represents himself.

Mr. CLAYTON. But, Senator Millikin, the Tariff Commission has a member, and he is the Chairman of the Commission, who sits on that interdepartmental committee. The Tariff Commission furnishes members of their staff in connection with the investigations of the Committee on Reciprocity Information. At Geneva the Tariff Commission had a member on every negotiating team that we had there.

Now, all of that sort of thing this bill prohibits.

Senator MILLIKIN. Let me put the clincher on that. Were they there as advisers or counselors, or were they there as active negotiators?

Mr. CLAYTON. Active negotiators.

Senator MILLIKIN. By what authority?

Mr. CLAYTON. I do not know. I assume that they had the authority; otherwise they would not have been there.

Senator MILLIKIN. By this time the State Department has had an opportunity to look up the law, and by what authority does the Tariff Commissioner act as an active negotiator in a trade agreement? Mr. Brown, can you answer that?

Mr. BROWN. I have an opinion, but I would prefer to refer you to counsel for the Tariff Commission.

Senator MILLIKIN. Is he here?

Mr. BROWN. Yes, sir.

Senator MILLIKIN. May we ask him?

Mr. EDWIN G. MARTIN (General Counsel, United States Tariff Commission). Senator Millikin, the Tariff Commission has never given any separate consideration, I think, to your question. I believe that your question is answered like this: The law that established the Tariff Commission made it equally responsible to the Congress and to the President. The wording of the statute that makes it responsible to the Congress includes the President in the same identical context.

It is true in the early days when the Congress was fixing tariff rates the Commission did work almost exclusively for the Congress; but since the Congress has delegated to the President the authority to change rates the Tariff Commission has used its investigative authority mainly to assist the President.

Senator MILLIKIN. Will you show me any amendments since the advent of reciprocal trade that changes the function of the Tariff Commission?

Mr. MARTIN. There has been no basic change, sir, but I must point out——

Senator MILLIKIN. It is the same as it has always been?

Mr. MARTIN. But I must point out, Senator, that the Trade Agreements Act itself called on the Tariff Commission to advise the President in exactly the same language that it called on the Departments of State and Commerce to advise the President.

Senator MILLIKIN. Did it authorize the negotiation of trade agreements?

Mr. MARTIN. It said nothing specifically on the subject.

Senator MILLIKIN. And prior to that, it did not negotiate trade agreements.

Mr. MARTIN. Not to my knowledge.

Senator MILLIKIN. No; of course not.

Now, Mr. Clayton, last year, and I assume again this year, you had fears about what this law would do in the way of blocking further trade agreements. But negotiations are under way now for 11 new ones, and they seem to be progressing very nicely.

Mr. Thorp told us this morning that after they get together at Geneva they expect to have some trade agreements in 3 or 4 months. What damage has the act of 1948 done to the negotiation of trade agreements?

Mr. CLAYTON. Senator Millikin, I do not believe the negotiations are under way. It is contemplated that there will be negotiations with these countries in April. The Tariff Commission has not yet done its work in the matter of the peril points.

Senator MILLIKIN. I am informed that they will have their work completed by March 4, which is the due date.

Mr. CLAYTON. Yes, sir; and when that information is available and it is submitted to the President in accordance with the law, and the negotiations are then undertaken and initiated and carried through, at that time and at that time only will we be able to determine whether the new law has in fact impeded the making of worth-while trade agreements.

Senator MILLIKIN. We have invited 11 countries to negotiate with us, and they have indicated their willingness to do so. They, I assume, are preparing their groundwork for those meetings, and we are preparing ours.

Mr. CLAYTON. That is right.

Senator MILLIKIN. Whether you have a trade depends on what happens after you get together.

Mr. CLAYTON. Yes, sir.

Senator MILLIKIN. So that under the act of 1948 nothing has prevented the invitation of these countries, and nothing has prevented their acceptance, and nothing has prevented the preparation of our groundwork and the preparation of their groundwork, and Mr. Thorp thinks that within 3 or 4 months after April we will have a new set of trade agreements.

Mr. CLAYTON. I think it is quite probable, Senator Millikin. I do not think that they will be as good trade agreements as they would have been under the old law.

Senator MILLIKIN. That depends on whether we want to focus judgment on the peril point or whether we do not, and you do not want it.

Mr. CLAYTON. I do not want to; no, sir.

Senator MILLIKIN. I suggest to you that, if you are going to get at this thing without focusing on safeguarding the domestic industry, it might be better not to have trade agreements. They make a lot of trouble.

Mr. CLAYTON. I don't think so, because the record is pretty good up to now, and I believe the record will continue to be good. We may make some mistakes.

I say "we." I am not in it any longer. But some mistakes will doubtless be made, and there may be individual cases of injury or threatened injury, and those cases will be dealt with under the escape clause.

Senator MILLIKIN. Now, last year you took the same position, and you said that you had to take chances, and you had the escape clause.

There is no use covering the whole ground in detail, but, under our multilateral agreements, benefits and obligations are generalized.

Mr. CLAYTON. Yes, sir.

Senator MILLIKIN. If you take an escape clause, you have to anticipate compensating escapes by others, and maybe only by one and maybe by half a dozen, you cannot tell.

Mr. CLAYTON. That is right.

Senator MILLIKIN. That is a pressure, I suggest, against taking an escape, especially when you cannot foresee what the compensating escapes will be.

Mr. CLAYTON. I think, Senator Millikin, that under the President's letter, I believe to the Honorable Sam Rayburn, he is committed to the policy of seeing to it that no industry or producer or agricultural group or industry in this country is seriously injured or threatened with serious injury under the trade-agreements program.

Senator MILLIKIN. He is committed to that, and so was President Roosevelt, and so were you. But you fight making a simple explanation if you go below a peril point established by the Tariff Commission. Under your testimony, I suggest most respectfully, under your

testimony you are not focusing on the safeguarding of American industry as the determining thing.

You have mentioned under your own testimony, and we can go through it, a half a dozen other things—whether the diplomatic situation will be served or disserved by some proposed action, the effect on conservation, the effect on resources, the effect on exportation, the effect on three or four other things which you yourself have mentioned.

So that, while the President may be committed to the protection of industry, for the safeguarding of industry, you, Mr. Clayton, I suggest, are not committed to it, because you modify it; you carve out a whole group of exceptions which are not in any of the assurances of the President or of President Roosevelt, or in your own assurances, when you put your mind on that single subject.

Mr. CLAYTON. Senator Millikin, I am not the man to make the decision. The decision as to what remedial action, if any, were necessary in the circumstances would be made by the President.

Senator MILLIKIN. Yes.

Mr. CLAYTON. And he has committed himself in the matter, very definitely, in my opinion, and I do not think that there is anything else to expect except that if the record clearly shows that industry A, for example, is going to be seriously injured, he must take remedial action.

Senator MILLIKIN. He must take remedial action, but he has also definitely committed himself to the proposition that he should be at liberty to go below the peril point and make no explanation at all.

Mr. CLAYTON. I do not understand that.

Senator MILLIKIN. It is as clear as can be. The President is rooting and tooting for the adoption of this new law, and the adoption of this new law exempts him from making even a simple explanation if he goes below a peril point.

Mr. CLAYTON. Well, Senator Millikin, in my opinion—the new law, by that you mean the law passed in the Eightieth Congress?

Senator MILLIKIN. I should have said "new bill."

Mr. CLAYTON. This bill that you have before you today?

Senator MILLIKIN. This H. R. 1211, I mean.

Mr. CLAYTON. That, of course, excludes the peril-point arrangement provided for in the bill passed by the Eightieth Congress, and I am for that. I think that that is right.

Senator MILLIKIN. The President is also for it.

Mr. CLAYTON. Yes, sir.

Senator MILLIKIN. The President does not even want to make a simple explanation; no matter what his grounds may be for going below a peril point, the President does not even want to make a simple explanation to Congress, and he is acting as the agent for Congress.

Mr. CLAYTON. I think it goes back, Senator Millikin, further than that. I do not think it is a disinclination to make an explanation. I think it is a position that there should not arise the need for an explanation; that the premise on which the whole thing is based is not sound. It is not sound, in my opinion, to conduct trade agreements and negotiations of trade agreements on the basis that an agency of the Government can sit down and give you an exact figure below which, if you go, you are going to imperil an industry. I do not think that that can be done.

Senator MILLIKIN. Mr. Clayton, the need for the explanation is in your own testimony and the testimony of Mr. Thorp, that you are not centering on safeguarding industry, that you will injure industry in the interests of extraneous considerations. That is the reason for the explanation.

Mr. CLAYTON. Senator Millikin, I have always said to you and to others, and I say it again, that in the deliberations and in the decisions of the interdepartmental committee I do not believe that a decision has ever been taken and I doubt if it will be taken which, in the knowledge of the committee, will bring about an injury to an American industry, for the purpose of accomplishing other benefits to the country. I just do not believe that.

Senator MILLIKIN. Mr. Clayton, you have said again and again that you take calculated risks.

Mr. CLAYTON. Yes, sir.

Senator MILLIKIN. How can you prevent injury if you as a policy take calculated risks?

Mr. CLAYTON. We take calculated risks, Senator Millikin, but that means that there is an area that you cannot possibly be sure of. It does not mean that you have taken an action which you know is going to result in an injury. That we do not do.

I say "we." We never did it when I was in the State Department, and I do not believe they will do it.

Senator MILLIKIN. I assume exactly what you have said again and again, that you took calculated risks.

Mr. CLAYTON. That is right.

Senator MILLIKIN. And because you testified that you took calculated risks, and because others testified that you took calculated risks which are inconsistent with maintaining the safeguarding of American industry, it is exactly the reason why we adopted the procedure that we did.

Mr. CLAYTON. I don't think it is inconsistent, with all due respect, Senator Millikin. I do not think it is inconsistent. You take calculated risks, and you cannot say at all that what you have done is going to bring about an injury to an industry. If you knew it would bring about an injury you would not do it.

But there is a possibility that it might, Senator Millikin. Not in one man nor in any group of men in the world resides enough knowledge and understanding of the situation with respect to these different commodities to be able to say as of a certain day, if this industry does not have 30 percent protection, it goes on the rocks. It just does not exist.

Now, if it did exist today, what they would decide today would not be applicable tomorrow, because conditions change too rapidly.

Senator MILLIKIN. I suggest, Mr. Clayton, that you have destroyed the whole basis of reciprocal trade acts in the statement you have just made. If we cannot make good trades in the soundest judgment that we can reach, then there is no virtue in the system.

You are saying that no one knows enough to make a good trade.

Mr. CLAYTON. No, sir. I beg your pardon. I did not say that, and I would not say that, because I know otherwise. I am saying only that no one knows the exact point below which if you went in protection you would injure an industry in this country. Nobody knows that.

Senator MILLIKIN. We are agreed that you cannot do it with a slide rule or a test tube; we are agreed on that; but when you have a body like the Tariff Commission, which is a bipartisan body reflecting all kinds of political opinion and reflecting all kinds of experience, when that committee with the standing you have attributed to it says you are not safeguarding American industry when you go below this point, the President should be willing to say why he goes below it.

That is all that we are arguing.

Mr. CLAYTON. Senator Millikin, how do they arrive at that decision? In what way?

Senator MILLIKIN. How do you do it on the interdepartmental committee?

Mr. CLAYTON. Well, you do not arrive at it.

Senator MILLIKIN. You have the same test there.

Mr. CLAYTON. You do not arrive at that decision in the interdepartmental committee.

Senator MILLIKIN. You should. President Truman and President Roosevelt both assured us that that would be the test. How do you arrive at it, then?

Mr. CLAYTON. We take some calculated risks, as I have said before.

Senator MILLIKIN. You have emphasized that to the point where we have determined to protect against that calculated risk.

Mr. CLAYTON. And we have other things to consider besides the so-called peril point in the interdepartmental committee, and they are considered.

To begin with, you have to interpret what is meant by a peril point to American industry. Let us take the watch industry, for example. Now, a watch company has recently gone broke. They were one of three, I believe, in this country manufacturing watch movements. We make about two and a half or three million movements a year in the United States and import around eight or nine million, perhaps, from Switzerland.

Now, one of those companies went broke. It so happened that in the year in which they went broke the other two companies enjoyed one of the best years they had had in their history, so I am informed, and are making plans to expand, and still another company is putting up a $5,000,000 plant to make watch movements in this country.

I wonder what the answer would be there as to whether that industry were injured by a low tariff on watch movements. One of them went broke.

Senator MILLIKIN. I would probably spend 1 month or 6 weeks studying that one out, and I am not going to answer it off the cuff, but what I am saying to you, Mr. Clayton, in brief and most respectfully, is that safeguarding American industry and taking calculated risks are antithetical terms and you cannot bring them together.

Mr. CLAYTON. If they are antithetical terms, the safeguarding procedure under a calculated-risk procedure is proper and right and should be continued, in my opinion, because we have other considerations in this country, particularly in our position as a leader of the world in international economic matters, and we have considerations other than protecting a factory that wants to get set up in the country.

Senator MILLIKIN. There has been no suggestion of that.

Mr. CLAYTON. And the inefficiency and the efficiency.

Senator MILLIKIN. There has been no suggestion of that.

Mr. CLAYTON. I believe, Senator Millikin——

Senator MILLIKIN. There is nothing in the law that requires it, and there is no reason to believe that the Tariff Commission is figuring its peril points that way.

Mr. CLAYTON. I do not know whether they are or not. I can say this: that when you try to figure out the so-called peril points you have so many factors involved, of efficient operation and inefficient operation, of location of the particular factory in this country, whether it is on the seaboard or whether it is in the interior, the importance of which is dependent upon the kind of commodity that you are producing, that it is not easy.

Senator MILLIKIN. You are arguing with me that it is not an easy job. I agree with you.

Mr. CLAYTON. It is an impossible job.

Senator MILLIKIN. You are arguing, then, that you cannot make an agreement that will safeguard American industry.

Mr. CLAYTON. Yes; you can. You can do it by putting the tariff so high that it will shut out everything.

Senator MILLIKIN. No one is suggesting that, and it is not required by the law.

Mr. CLAYTON. It is not required by the law.

Senator MILLIKIN. The Tariff Commission is not proceeding on that theory.

Mr. CLAYTON. They may not. The protectionists are, and they would like to have it.

Senator MILLIKIN. They are not writing the law, and they are not administering the law.

Mr. CLAYTON. They are not administering it, but they are bringing enormous pressure and they always will in respect to the writing and administration of the law.

Senator MILLIKIN. That is also true of the free-traders, Mr. Clayton, the same pressures, only at the outer fringes.

Mr. CLAYTON. I do not believe the free-trader brings quite so much pressure as the protectionist, because the protectionist's pocketbook is immediately affected, and I think he is a little more concerned.

Senator BREWSTER. You do not mean to intimate that the free-trade point of view has not dominated this Government for the last 14 years very successfully, do you, whether there was pressure or not?

Mr. CLAYTON. I not only do not intimate it, I respectfully suggest, Senator Brewster, that it has not dominated them. We are far from a free-trade country.

Senator BREWSTER. We are just about 10 percent away from it under the averages, are we not?

Mr. CLAYTON. No, sir; covered up in that 15 percent which is said to be the average rate of duty today on imports of dutiable goods are tariff rates that run as high as 80 and 90 and some 100 percent, so I am told. There is a list of them in the hearings before the House Ways and Means Subcommittee last summer.

Senator BREWSTER. That does not alter the weighted average of 15 percent, does it?

Mr. CLAYTON. But in respect to those particular commodities, what I have just said shows that they have excessive protection. Anything

that needs a protection of 100 percent should be allowed to be made by someone else.

Senator MILLIKIN. Why, after all of these years, have you a tariff like that? You have had the opportunity to change it.

Mr. CLAYTON. You cannot do everything, Senator Millikin.

Senator MILLIKIN. You should be putting your ax on a 100-percent tariff.

Mr. CLAYTON. Yes.

Senator BREWSTER. You have had 16 years in which to do it.

Mr. CLAYTON. You cannot do everything and it may be that in the particular case in point that there was no opportunity in reducing it to get from the other country a compensatory reduction on something that we were interested in.

Senator MILLIKIN. It would probably mean it is an unimportant item, would it not?

Mr. CLAYTON. Well, for example, I remember casein is one item which comes from the Argentine, and I think I am correct in saying that the rate is 80 percent, or was 80 percent.

Senator MILLIKIN. And we have a reciprocal trade agreement with Argentine. Why did you not put the ax to it?

Mr. CLAYTON. You say we have a trade agreement with Argentine? I will ask Mr. Brown on that.

Yes, we have. I had forgotten that.

Senator MILLIKIN. If you have a 15-percent weighted average, and you are talking about these horrible items running up to 80 or 100 percent, it follows that you have a lot of items less than 15 percent there.

Mr. CLAYTON. Certainly, but let me say this——

Senator BREWSTER. Two-thirds of them are free.

Mr. CLAYTON. I would like to make it clear, and I do not think it is clear in the record, that I would like to claim that 15 percent on all of the trade agreements that we have made, but I cannot so claim.

The bulk of that reduction from 52 percent of the Smoot-Hawley in 1932 down to 15 percent now is due to the force of prices. Sixty percent of our duties in point of weight of imports are specific and not ad valorem so, obviously, as prices go up the percentage of the protection comes down and most of the reduction from the 52 down to 15 cents is due to the force of prices.

Senator BREWSTER. Is that the result of the devaluation, to some extent?

Mr. CLAYTON. I do not know, Senator Brewster, whether it was or not. That is an argument that you can get economists for both sides on.

Senator BREWSTER. I know that Mr. O'Brien was chairman of the Tariff Commission, and he said that when we went over the gold standard we practically abolished the tariff.

Mr. CLAYTON. I do not know about that. I only know that we have had since 1932 a very great advance in prices. We all know that, and that has obviously brought 50 percent duty on a commodity selling at 50 cents, and it becomes 25 percent if it goes up to $1.

Senator BREWSTER. If you have 2.5 cents a pound on fish at 7 cents, and fish goes up to 20 cents, you have only 10 percent.

Mr. CLAYTON. Or 12 percent. That is right.

Senator BREWSTER. But the fact remains that your protection is proportionately reduced, and assuming the same differentials prevail between foreign and domestic costs of production, all you have is 10 or 12 or 15 percent protection.

Mr. CLAYTON. Your protection is reduced, obviously. The protection is largely in terms of percentage of value, I believe, and as the market goes up the rates which are specific lose somewhat of their protective value, and that is responsible for this big drop in the average of protection.

We have done a great deal at Geneva to get the rates down.

Senator BREWSTER. You would not have any difficulty in the degree of selfishness of those who produce the cotton and want to sell it in the world market and so want as free trade as possible, and the attitude of those who in New England industry have built up a protective tariff. Do you differentiate between them?

Mr. CLAYTON. I would differentiate in the knowledge of the two groups as to where their interest lies.

Senator BREWSTER. You think the New England protectionists are not very wise?

Mr. CLAYTON. He is a whole lot more wise about where his interests lie than the southern cotton pickers.

Senator BREWSTER. If we could only be as successful as you and your associates in securing the adoption of our policies, I am sure we would be all very much delighted, Mr. Clayton.

I was over in Mexicalo last Sunday, and I saw some very admirable cotton operations carried on there, and I saw one of the most impressive cities that I have seen develop in the last 10 years since I was last there 10 years ago, with most modern homes mostly built with American material, all of which had been made possible by that tremendous cotton development in Mexico. I could not but admire the enterprise and American capital that had gone into that.

Senator MILLIKIN. You opened your remarks by pointing out that we have a very substantial export over imports, and that we could not continue indefinitely to go on with that sort of procedure, that we would have to be paid some time, and that the only way foreign countries can pay us is to import into this country.

Did you intend that in any sense to modify the principle of safeguarding American industry?

Mr. CLAYTON. No, sir; I did not. All that I have said on that subject is modified by the policy that has been adopted of taking no action which would seriously injure an American industry.

Senator MILLIKIN. So that when Europe gets to the point where she can export to this country, you are not saying that we must take those exports willy-nilly, without respect to the impact that it may make on our own domestic industry?

Mr. CLAYTON. No, sir; I am not.

Senator MILLIKIN. Your thesis in making these trade agreements is that we have to take a calculated risk, and having taken the calculated risk, if we made a bad deal we get out with the escape clause?

Mr. CLAYTON. That is right: and I add to that that we have not made many bad deals yet, as the record shows we have made but few, and I really do not know of any.

Senator MILLIKIN. Of course, you would not suggest that we are in a period of time where that can be tested.

Mr. CLAYTON. We are getting there awfully quick.

Senator MILLIKIN. That is what is worrying me.

Mr. CLAYTON. And we have been getting there for the last 12 months, and I think we have gone long enough to have developed trouble if there had been any. We may develop some trouble in the future and, if so, I am sure it will be dealt with properly.

Senator MILLIKIN. There has been no real test in the great bulk of the items negotiated at Geneva, has there?

Mr. CLAYTON. Well, that negotiation took place in 1947, and we are getting imports at the rate of $7,000,000,000 a year, last year. That is a lot of goods. This matter of imports, I think, Senator Millikin, is not fully understood.

When one fears injury, it is largely because of a feeling that the market is static, and the market is not a static thing. The market is a moving thing and, with more imports coming in, the consumption of goods is increased, the demands of the people for goods in variety and quality and quantity are almost limitless.

With imports coming in of new kinds of goods and new ideas and new things, with foreign marks and foreign color and that sort of thing, it can increase greatly and it will increase greatly.

Senator MILLIKIN. You are not saying that at the present time the export potentialities of Europe have even begun to be realized, are you?

Mr. CLAYTON. No, sir; they are going to increase, but they are up now at least 25 percent in industry.

Senator MILLIKIN. And they are using the bulk of their production for domestic purposes?

Mr. CLAYTON. Yes; they are up 25 percent in production in industry on the whole—if you leave out Germany, over 1938.

Senator MILLIKIN. And if you leave out the growth of population?

Mr. CLAYTON. Well, certainly, the population. Those countries have increased in population.

Senator MILLIKIN. So generally speaking, I suggest the European countries have not yet reached the point where, with rare exporting exceptions, they can take care of their own economy? If there is any question about it, we will get some statistics.

Mr. CLAYTON. Well, of course, they are exporting very heavily because there are certain kinds of goods of which they produce a surplus for export.

Senator MILLIKIN. But they are importing very lightly, which affects the export angle of your argument.

Mr. CLAYTON. They are importing lightly?

Senator MILLIKIN. Yes.

Mr. CLAYTON. Very heavily.

Senator MILLIKIN. Great Britain has not restricted imports.

Mr. CLAYTON. Yes; but they are importing very heavily. They restrict it in the sense that they limit what their citizens may have in the way of imported goods, but they are all importing very heavily.

Senator MILLIKIN. Is that reciprocal trade?

Mr. CLAYTON. No; it is not reciprocal trade because they are getting those imports free under ECA largely.

Senator MILLIKIN. Now, is it not a fact, Mr. Clayton, that we have no such thing over the world as reciprocal trade in the way it was envisaged?

Mr. CLAYTON. Senator Millikin, we have enormous reciprocal trade all over the world.

Senator MILLIKIN. You have reciprocal trade with every country in the world having import quotas, monetary licenses?

Mr. CLAYTON. Certainly.

Senator MILLIKIN. Exchange restrictions?

Mr. CLAYTON. Yes.

Senator MILLIKIN. And we are the only ones who do not have that. You call that a successful reciprocal trade system?

Mr. CLAYTON. I did not say it was successful. I said we had plenty of reciprocal trade.

Senator MILLIKIN. It is reciprocal in the sense that with few exceptions we have no monetary restrictions, and we have no quotas, we have none of these restrictive devices, and where under the list that you put in last year every other country in the world has them.

Mr. CLAYTON. But we have reciprocal trade just the same.

Senator MILLIKIN. That is the way we reciprocate. We reciprocate with an open market whereas they reciprocate with a closed, controlled market.

Mr. CLAYTON. But they buy our goods.

Senator MILLIKIN. That is a strange notion of reciprocal trade.

Mr. CLAYTON. They buy our goods. Let me comment a little on that.

I heard your questioning of Mr. Thorp on the subject. Nearly the whole world has all kinds of restrictions today, Senator Millikin, on their imports. They have, as you said, import quotas, they have exchange controls.

Senator MILLIKIN. Export quotas?

Mr. CLAYTON. Yes. They have export quotas. We also have in some things. They have exchange controls and import quotas.

Senator MILLIKIN. And preferences?

Mr. CLAYTON. Yes, and preferences. And the reason they have them and we do not, of course, is that nearly all the rest of the world is a very sick world in the sense that they are suffering still from the aftermath of the war.

Many of the great industrial countries, of course, were greatly damaged by the war, as you know, physically damaged, and damaged in other ways. They have not in all respects recovered their production, particularly in agriculture. They are short of buying power abroad because they exhausted that during the war. They have not the means with which to buy freely in other parts of the world, so that they are compelled to put on import restrictions which will limit their intake of goods to their ability to pay, plus ECA, of course. ECA was set up to meet that problem.

Senator MILLIKIN. I would not quarrel with that proposition.

Mr. CLAYTON. Now, you take almost any part of the world, and that is the situation that you have, except in the United States. The United States developed during the war this enormous productive capacity of everything. We outstripped the world, and we did it largely because we have no tariffs between the 48 States, and because every factory and every farm has an enormous market at home, so that it can develop in a very large way. We are therefore almost the only country in the world that does not have to or is not compelled

by force of circumstance to put on these restrictions on imports. Not entirely, however, for there are other countries, but very few, to whom this applies.

It is almost like a family that has been rich and developed extravagant habits, and lived well, and then suddenly they have financial reverses and the head of the family must sit down and tell his household, "You have to live within this." That is what these foreign countries are having to do. It is not because of protective reasons for their industries, it is for protective reasons of their treasury.

Senator MILLIKIN. Call it what you will, those burdens or those hurdles have to be surmounted by American exporters.

Mr. CLAYTON. Yes; and it could not be otherwise, because if it were otherwise, and it is otherwise to the extent that ECA has supplied the gap, we would be giving our goods away, because obviously they can buy only for what they can pay.

Senator MILLIKIN. All I was saying was that we do not have a true reciprocal-trade system over the world, and you have demonstrated that.

Mr. CLAYTON. The volume of trade is almost the same the world over.

Senator MILLIKIN. I do not deny that, but I do deny that there is reciprocity in trade.

Mr. CLAYTON. We do have reciprocity in the reduction of tariffs.

Senator MILLIKIN. We have, but the tariffs have now become the most inconsequential hurdle to trade relations, and the other fellow maintains all of the things that really have potency in them.

Mr. CLAYTON. You are right, but under the International Monetary Fund and under the ITO if it should be adopted those things will all disappear in time as the world recovers economic health, and as these countries are able to do enough export business to create the foreign buying power which is needed to pay for their imports.

That will certainly take place, Senator Millikin.

Senator MILLIKIN. I suggest to you that the tendency will be entirely the other way. We are off on a great international movement toward state socialism and toward stateism. Your original conception of the reciprocal-trade agreements was to drop the barriers between individuals trading with each other, and now with the intervention of all of this stateism and all of this state control export and import, you cannot possibly square that with your original theory of reciprocal trade, and the tendency is getting worse that way, rather than easier.

Mr. CLAYTON. Senator Millikin, if the world can escape a war for 10 years and serious threat of war, and if the United States is willing to continue the leadership which it assumed by reason of circumstances after the war in this field of international economic relationships, we will go in my opinion in the other direction, the opposite way of what you say.

I think that the opportunity is open to the United States today to continue this leadership and to direct the world back to multilateral trade.

If we step aside and surrender our position of leadership, there is no one else in the world that can take it up, and I can assure you of that. There is no other country in the world that can take it and if we surrender it, we will all go back to autarchy, extreme nationalism, export

and import quotas all over the world in my opinion, and certainly in time in the United States we will be unable to escape having to do the same thing.

Senator MILLIKIN. Now, let me ask you to give illustrations of where the operation of the reciprocal-trade program has broken down stateism any place, has broken down quotas any place, has broken down any of these things of which we are talking.

Mr. CLAYTON. I cannot cite you at the moment any case in which it has. I can only say that this war has upset all of those things for the time being, but we have these agreements on tariffs and whether they have quotas or whether they have anything else, the reduction of tariffs reduces the price of goods to the consumer, so that our goods that move into France or may move into Belgium or Holland or England, or wherever they have cut their import quota on our goods, the price of those goods has been reduced, and therefore we have opened up in a way new markets for our goods.

Now, in time, in due course, if as I say, the world can get by without another war, or a serious threat of another war, in due course all these restrictions of which you speak, import quotas and export quotas and exchange controls and so on will fall away as the world comes back to economic health.

Senator MILLIKIN. I suggest that unless our leadership results in a reversal of the trend of the world toward totalitarian government, state socialism or whatever you want to call it, I suggest that unless you can reverse that trend your situation will grow worse rather than better.

Mr. CLAYTON. You are right. Certainly it will.

Senator MILLIKIN. What is there in our leadership that is going to change that?

Mr. CLAYTON. I say that we can do it. We can do it under the ITO and we can do it under the reciprocal-trade-agreements program, and the enormous power that we exercise in the world and can exercise in the world today by reason of our position.

We can reverse that trend or we can surrender the whole business and let it go into economic chaos.

Senator MILLIKIN. However, settlement of lease-lend has led to a whole lot of things, our reciprocal-trade system, our ECA money, our help of all kinds to the world, but so far as I can see it has not retarded any of these bad tendencies under our leadership.

Mr. CLAYTON. It cannot be done so long as the world is so sick. The world is very sick, and you cannot expect of a sick man what you would expect of a well man.

Senator MILLIKIN. During this 10-year period to which you refer I think that you can argue that those foreign nations will become solidified in their state socialism, that they will become jelled in those systems rather than weakened.

Mr. CLAYTON. I do not think so. I think as time goes on and as production increases and markets open up and trade is resumed and these countries commence to get on their feet, as they will if they can market their goods, I think that a climate will be created thereby which will enable them to keep the agreements they have made. They have agreements now, and the ITO and the International Monetary Fund, they have all got agreements within a certain period to take off these controls.

If circumstances will permit them to do it, I am sure that they will do it, and I think that we can lead the world back to multilateral trade and a great liberation of the productive resources of the world.

But if we step aside here, if we refuse to continue this leadership which we have taken on ourselves, and there are plenty of examples of it in the last 3 or 4 years—if we step aside and do not carry on that leadership, you may be sure that what you say will take place.

The world will go back to economic autarchy then.

Senator MILLIKIN. I am not suggesting that we abdicate our leadership, I am suggesting that the heart and soul of our leadership is that we keep this country sound, and we cannot do that unless we safeguard domestic industry.

Mr. CLAYTON. We must keep this country sound not only in that respect, but financially and every other respect. If the United States does not remain strong it simply cannot assume this responsibility of leadership that we all understand.

But I can also assure you, Senator Millikin, that we have nothing in this program in my opinion, and I have studied it very carefully and it was under my direct supervision in the Department of State for over 3 years, we have nothing in this program which an industry in the United States need fear is going to seriously hurt it. If it should develop that we are wrong, that we have made the wrong decision, there are ample avenues of redress to them.

Senator MILLIKIN. I can only oppose to that your own statements that you will take calculated risks, which is the antithesis of safeguarding.

Senator BREWSTER. Now, you used this 15 percent figure. That does not accord with the figures which I have from the Tariff Commission for 1948, which show imports of $4,118,000,000 free, and imports of $2,919,000,000 dutiable, or a total of $7,000,000,000 altogether as you indicated. But on the dutiable percentage it is 13.7, and the free and dutiable, that is, the average for the entire group, free and dutiable is 5.7, which is the lowest in the entire history of this country, back as far as these figures go, to 1910.

Mr. CLAYTON. Of course, Senator Brewster, I had not seen the 1948 figures. I saw the figures that the Tariff Commission got out last May, I think it was, or April, and at that time it was just under 16 percent average on the dutiable imports.

Senator BREWSTER. In 1947 it was 19.4.

Mr. CLAYTON. The figure that I saw was just under 16 percent.

Senator BREWSTER. That probably was after the few months of 1948.

Mr. CLAYTON. They may have included a few months of 1948.

Senator BREWSTER. It is down to 13.7 on the dutiable and 5.7 on the total, which I am sure you would agree is a pretty limited protection.

Mr. CLAYTON. I think it is the lowest we have ever had. I do not think it really means anything to add the free and the dutiable. I think the only thing that is important is the average on the dutiable.

Senator BREWSTER. Well, you will note that we do have $4,000,000,000 of duty-free imports, and about that we never hear anything at all, and now when you talk about protectionists they do not talk about the $4,000,000,000 that we are getting a year free of any duty at all.

Mr. CLAYTON. Well, Senator——

Senator BREWSTER. Even under the Republican tariff.

Mr. CLAYTON. Those things do not compete with anything in this country.

Senator BREWSTER. But in using the argument that we must import in order to export, I do not ever here these high-minded patriots talk about the $4,000,000,000 that we are getting in absolutely free, which is extremely misleading to the people of this country who after all are dependent upon getting the story straight.

Mr. CLAYTON. Of course, our consumption of these things such as coffee and rubber and tin and all of these many free things has greatly increased since the war, and that is important.

Senator BREWSTER. And that goes to a very material extent to obviate the argument which we constantly hear that we must import more in order to export more. That is the extent to which our free items come in and in that way offsets our trade balance.

Of course, it is that free item alone of $4,000,000,000 which is now greater, I suppose, than we had before the war on our total exports, was it not?

Mr. CLAYTON. You mean imports.

Senator BREWSTER. Well, either one.

Mr. CLAYTON. If you go back as Senator Millikin did this morning to 1928 and 1929, they were bigger then.

Senator BREWSTER. You mean our imports or exports?

Mr. CLAYTON. Our exports were bigger than $4,000,000,000.

Senator BREWSTER. Not very much, though, were they?

Mr. CLAYTON. They went up to $6,000,000,000, if I remember correctly. I believe it was 1929. Something like that.

Senator BREWSTER. The figures on imports were then around $3,000,000,000, that is, free imports. The others were up to $4,000,000,000.

Mr. CLAYTON. I thought so.

Senator BREWSTER. The free and dutiable total is there. You used the figure of 25 percent on European production outside Germany, and I heard Mr. Howard Bruce give last night what I assumed to be the authentic figure of 18 percent. We discussed this figure last night, that they are 18 percent above prewar.

The CHAIRMAN. That is the total of the European?

Senator BREWSTER. Outside of west Germany.

The CHAIRMAN. I think that was the total. Some countries are much bigger than that.

Mr. CLAYTON. I think that was of all production. I was speaking only of industry, because agriculture has lagged very materially.

Senator BREWSTER. The most impressive figure he gave me was that England was now exporting 137 percent of prewar.

Mr. CLAYTON. That is right.

Senator BREWSTER. That is very impressive, and it shows what I think Senator Millikin has pointed out, that they are moving very rapidly into this field, and of course it is a natural matter of concern to those interested in textiles and other production of that character as to its impact on our market.

Mr. CLAYTON. They evidenced concern, but the total importation of woolen goods is a good deal less than 5 percent of our production.

Senator BREWSTER. How do you explain the current rate of unemployment of 50 percent in the woolen textile industry?

Mr. CLAYTON. I don't explain it. I do not understand it.

Senator BREWSTER. If you were unemployed, I am sure you would understand it.

Mr. CLAYTON. I do not believe it has come from imports.

Senator BREWSTER. The fact remains that everywhere in the country you see English woolen imports. I traveled the country this last week, and I know. Now, I have no actual import figures because they are not available for the last few months. I have asked for them.

Mr. CLAYTON. The railroads are laying off. I noticed where one railroad laid off 3,000 men a few days ago, and that is not due to imports, certainly. It is due to general conditions

Senator BREWSTER. That is right, and how far those general conditions affected by the volume of our imports rising to $7,000,000,000? I am sure that that must have an impact. That is certainly a substantial amount toward our domestic production.

Mr. CLAYTON. And still they lack $6,000,000,000 of paying for the goods we sent abroad.

Senator BREWSTER. I think we could perhaps be a little more prudent in our exports.

Mr. CLAYTON. I should not wonder. I would like to see us get paid for more of what we do send.

Senator BREWSTER. I am sure that we all share that desire.

The CHAIRMAN. As I understand you, you say while we have reciprocal trade all over the world it is not a perfect system, and you have never claimed that it is now working perfectly?

Mr. CLAYTON. No, sir; far from it.

The CHAIRMAN. And under the present work conditions it will be quite impossible to expect it?

Mr. CLAYTON. That is right.

The CHAIRMAN. As to the escape clause, that is valuable to meet changed conditions, as well as to relieve against an error of judgment?

Mr. CLAYTON. That is right. I am glad that you brought that up.

The CHAIRMAN. Principally to meet changing conditions?

Mr. CLAYTON. That is right.

Senator BREWSTER. How many times has that been used, do you know?

Mr. CLAYTON. Well, we have used it two or three times. That is, we have used the Mexican escape clause type, that has been used two or three times before we agreed on the escape clause to be placed in all trade agreements.

I do not know whether the procedure which requires investigation by the Tariff Commission has actually been used or not. Someone in the State Department would have to answer that on the Tariff Commission.

Senator BREWSTER. I have a note that Mexico applied its escape clause to 12 items in December of 1947.

Mr. CLAYTON. Yes; that is correct. We had a renegotiation with Mexico.

Senator BREWSTER. In addition, Mexico has withdrawn all of the concessions granted in the trade agreement with the United States and increased many of her duties?

Mr. CLAYTON. The duties that they increased, Senator Brewster, were largely duties which had lost their protective incidence due to great inflation of prices in Mexico, their prices had gone way up, and these were specific duties. That was done with the understanding that there was to be a renegotiation of the agreement.

I have been out of the Department about 6 months now, and I do not know whether that renegotiation has taken place or not.

Senator BREWSTER. That apparently is still in process. It says they have been in process for a year and a half negotiating with Mexico concerning her concessions to us, and has not been willing to consider any withdrawal of our concessions to that country.

What about the action from Ireland? Do you know of how many cases we had for appeal for action under the escape clause?

Mr. CLAYTON. The Tariff Commission would have to act on that. They go direct to the Tariff Commission.

Senator BREWSTER. There have been two which were dismissed, and there are two still pending.

Mr. CLAYTON. That is right.

Senator BREWSTER. So that either there has not been occasion for it, or it has not been very effective, one or the other.

Mr. CLAYTON. There has been practically no occasion for it. I think that you may assume, Senator Brewster, that any industry that is injured or is threatened with serious injury will take occasion to apply to the Tariff Commission to invoke the escape clause.

Senator BREWSTER. You feel that that is a fairly effective manner of relief?

Mr. CLAYTON. Yes; I do.

Senator BREWSTER. You have great confidence in the capacity of the Tariff Commission to apply that within the limits of their power?

Mr. CLAYTON. I have, yes.

Senator BREWSTER. You have indicated that in the case of the specific duties it actually amounts to no protection even if they went to the limit of the 50 percent which the President authorized to make as an increase, as a result of the change in world conditions? I understood that from what you said.

Mr. CLAYTON. I am sorry, sir; I do not quite follow you there.

Senator BREWSTER. I am speaking to the specific case of fish. We had 2.5 cent duty on 7-cent fish and fish goes up to 23 or 24 cents, and immediately 2.5 cents is 10 percent and doesn't amount to anything, and even if they increased it 50 percent, which would be 3.3 cents, it would still have practically no bearing on the very large differential in the cost of production, which has been increased many times as a result of this inflation.

Mr. CLAYTON. I agree with you that 2.5 cents is 10 percent of 25, and if it were 30 percent before so now it is 10 percent. Prices have gone up in that way.

Senator BREWSTER. I speak to you as an expert, because you have been in this field for 3 years, and I am sure that you would agree with me that the differentials in the cost of production to a very material extent followed this increase in price.

That is where before 2.5 cents might have been adequate on 7- or 8-cent fish, when you treble the value of the fish you had a very much wider spread in the relative cost between this country and the other countries.

Mr. CLAYTON. On that I just do not know, Senator Brewster, because I do not know about fish. I do know this, that in many things as a result of conditions brought by the war, that even with a great increase in price that foreigners have not been able to compete with this country in many products.

Senator BREWSTER. I will give you a specific illustration.

In the past 2 weeks, the great generator for the Cleveland municipal plant was under bid, the American concern losing the bid to a Swiss concern by $500,000. I think that is a pretty poignant illustration of what these countries are now being able to do. I was in the Vickers works in England this past fall where the highest paid mechanic was given $30 a week, as a result of the $2,000,000,000 we were absorbing in the differentials in food prices, so they were able to live and eat on their austerity program and produce the work on a piece basis.

That is at $30 a week. The textile people were at $20 and $25 a week. Now, you know what the differences are in our country on those scores, and I cannot see how anyone, particularly possessed of your very considerable experience, can doubt what will be the effect of this when we get down to a 6-percent protection.

Mr. CLAYTON. Well, Senator Brewster, we have been able in this country by new techniques——

Senator BREWSTER. And labor-saving machinery.

Mr. CLAYTON. Yes, and the vast free market we have.

Senator BREWSTER. That is right.

Mr. CLAYTON. We have been able to compete with the rest of the world. You just look at our exports, take our exports that we get paid for, and you will find, in the textile industry, for example, that the cotton textile industry is still exporting, I think I am correct in saying this, goods equivalent to 500,000 bales of cotton.

That is a lot of goods, and they are meeting the rest of the world, the British and Italian and the French and what have you.

Senator BREWSTER. We have always been told that that was a result of our labor-saving machinery, the most modern character we had, coupled with American labor, that they were able to produce far more efficiently. Is that your view?

Mr. CLAYTON. More efficiently, and then one of the big elements in our ability to compete is the enormous domestic market we have without tariffs. We can move goods over 48 States and 150,000,000 people, with a high standard of living and money with which to buy and in that way we get a foundation of an enormous volume of production.

Senator BREWSTER. Take the specific item of cotton textiles on which you are certainly an authority. It is true that the British mills have not been modernized at all to the extent that ours have in machinery; is that correct?

Mr. CLAYTON. It is correct. It is entirely correct.

Senator BREWSTER. What would be the result if we should modernize those mills in Great Britain and elsewhere?

Mr. CLAYTON. We probably would be a few steps ahead of them, and have an ultramodernization here that would be still ahead of them. That is the history of everything, all over our industry here, Senator Brewster. As other countries adopt methods we have here, we adopt new ones, and we go ahead.

Senator BREWSTER. Would it disturb you at all of you knew that the most modern textile machinery that we produce in New England today, and we are supposed to be pretty well up, that 60 percent of it is going abroad under the options of our foreign reequipment program? Would that disturb you?

Mr. CLAYTON. I do not think it would.

Senator BREWSTER. American manufacturers find great difficulty in being unable to secure these more modern types of machinery they desired, while 60 percent of it was going abroad. They were down here recently complaining to me about it.

Mr. CLAYTON. I do not think it would bother me. I just have the greatest confidence in our industry in this country to keep ahead of the rest of the world. They have done it up to now, and I believe they are going to be able to continue to do it.

Also, we have such a great increase in the population of the world, and the need for textiles.

Senator BREWSTER. Well, if you will put the cotton textiles on the backs of the rest of the people of the world, I will be very enthusiastic about it, but if you bring it from Brazil or Mexico or England into this country, and close down the textile mills in Lewiston, Maine, I shall take very serious issue with you, and I fear that that is going to be the result.

Mr. CLAYTON. And you would be right, and I would do everything I could to try to see that some redress was had.

Senator BREWSTER. In the next few months you may hear from me, as time goes on.

Mr. CLAYTON. All right, sir.

Senator MILLIKIN. Let me ask one more question, please.

As I understand it, the only time the President would be required to invoke the escape clause would be on an unforeseen injury. If you took a calculated risk, its injury would be foreseen; would it not?

Mr. CLAYTON. I do not think that that is the standard basis at all, Senator Millikin. There is no record of any calculated risk in any particular commodity or any particular action. It is just something that is taken into account all of the way through. But if an industry is injured or is threatened with serious injury and applies to the Tariff Commission, and the Tariff Commission recommends to the President that some action should be taken to give redress, I would take it the President is going to give redress.

Senator MILLIKIN. I suggest to you that the language in your trade agreements limits itself to unforeseen injuries, and I suggest to you as a matter of elemental logic if you foresee the injury, if you are taking the calculated risk, the clause is not applicable.

Mr. CLAYTON. Senator Millikin, the State Department in my experience or, rather, Interdepartmental Committee has never made a recommendation to the President to reduce a given tariff where they foresaw definitely that that action would cause injury to an American industry. They have never done it.

Senator MILLIKIN. You have stated again and again that you have taken calculated risks.

Mr. CLAYTON. But that is different from knowing that an injury is going to be caused.

Senator MILLIKIN. I would like to read into the record the steps necessary to invoke the escape clause.

1. If a producer in the United States believes that he is being seriously injured as the result of a tariff reduction or other concession made by this country in a trade agreement he must file an application asking the Tariff Commission to make an investigation.

This application must give a great deal of information concerning the applicants' business as outlined in the Commission's Rules of Practice and Procedure.

2. After receiving the application the Commission makes a study to determine whether or not it will order an investigation.

According to the Commission's Rules of Practice and Procedure, an investigation will not be ordered unless imports have actually increased relative to domestic production. The threat or imminence of greatly increased imports, therefore, is not of itself enough to get the Commission to order an investigation. This preliminary study would in most cases require several weeks.

3. If, after this preliminary study, the Commission orders a formal investigation it will hold a public hearing, the usual notice of which will be 30 days.

The Commission's staff will begin the accumulation of a large volume of statistical data and other information and in virtually all cases a field investigation will be made that is, experts of the Commission's staff will visit various plants in the industry. This hearing and investigation in the case of a large industry would be time-consuming and might well require several months.

4. After the hearing and investigation, the Commission will then begin a careful study and analysis of the available information and the preparation of a report to the President setting forth its findings.

The time required for this phase of the procedure will depend upon the number of producers in the industry, the complexity of the problems involved, and the amount of other work before the Commission. The time required would probably vary from several weeks to several months.

5. After the Commission makes its findings and completes the report, the report is sent to the President.

The President is under no obligation whatsoever to take any action. The President is merely required to give the report "his consideration in the light of the public interest." The trade-agreements program was initiated by the administration and is considered to be an important part of the administration's foreign policy. Moreover, under the escape clause, if the United States withdrew or modified one of its concessions, foreign countries would be at liberty to withdraw or modify equivalent concessions which they had made to the United States. Obviously, therefore, the President will proceed with great caution in following any recommendation of the Tariff Commission for the modification or withdrawal of an important concession because to do so would jeopardize or might even nullify the agreements.

6. Assuming the President decides to take action under the escape clause he must then notify in writing all the countries which are parties to trade agreements and then must consult with all such countries which have a substantial interest as exporters of the product concerned.

The number of countries with which the President would have to consult would vary considerably but would probably be seldom less than 4 or 5, and frequently as many as 12 or 15. Such consultation would in all cases be time-consuming and in most cases would probably require months. If the concession which the President proposed to modify or withdraw were of substantial interest to foreign countries, that is, it resulted in large imports into the United States, the foreign countries would naturally be reluctant to consult with the President, and would delay the consultations as long as possible. It should be noted that although the escape clause permits the President, in critical circumstances, to act first and consult afterward, the possibility that he would take such drastic action is almost nil.

We have gone through this before, but I wanted to get it into a little more detailed fashion.

Let me bring to your mind this picture, Mr. Clayton. If we were confronted with a situation as we were during the Underwood Tariff period, when we had an enormous engulfment of imports, you would have to make so many escapes that you would tear your whole reciprocal-trade system to pieces if your system is based on taking calculated

risks. That would not do the peace of the world any good under your own theory.

The CHAIRMAN. Senator Butler, do you have any questions?

Senator BUTLER. Mr. Clayton was saying something about the necessity in England of their taking precautions in their own defense to limit the imports. I believe he used that illustration.

I simply wondered if you can conceive of a time approaching here when we might take the same precautions?

Mr. CLAYTON. No, sir, I cannot. Capacity to produce goods is so enormous here and the need of those goods is so great over the world that I think that we are likely to go for a number of years with an excess of exports over imports.

Senator BUTLER. There are a few places in the world now that do not have the same kind of equipment that we did here because when it is available here it is available to nearly everybody.

Mr. CLAYTON. Well, I think that the situation over the world in industrial production certainly, and indeed, in agricultural production, is such that the United States is so far and away ahead of the rest of the world in production techniques and deficiency that there is little comparison in most things.

Now, in some things, and maybe in the generator in Switzerland or something of that kind what I have said may not apply, but I am speaking generally as regards agriculture and industry.

Senator Brewster made some remark about the British textile industry and the cotton textile industry here, and all we have to do is to take their word for it, their reports and their statements about the conditions. There is the greatest difference in the world between the productive efficiency of our textile industry and that of the British. Ours is far from being as efficient as it should be, and I am sure that in the next 10 years we will hardly recognize what we will see then in comparison with what we have today.

In the production of wheat there are very few countries in the world that can compete with our farmers.

Senator BUTLER. The land is the principle thing with crops.

Mr. CLAYTON. It is not only the land, it is the mechanization and the size of the unit of farm and all of that sort of thing. There are so many things that are involved.

Senator BUTLER. I would like to get back just a moment to the question of England and other nations having found it necessary to limit imports. That is correct?

Mr. CLAYTON. Yes, they have.

Senator BUTLER. And their exports have gotten to a point where they are beyond what they were in the prewar period.

Now, does it not at least cause a little concern on your part and on the part of others who have been responsible for this program to think that perhaps the unemployment that is developing very rapidly and is now at a serious point in our country may be developing the same kind of a problem that they have over there?

Mr. CLAYTON. No, sir. I do not think so. I think, Senator Butler, that if we were to lose a substantial amount of the exports that we now make from this country you would see unemployment increase very rapidly. I think our dangers from unemployment are much greater from the loss of our export markets than from an excess of imports.

Senator BUTLER. Our principal market is our domestic market, and perhaps always will be, as you have stated.

Mr. CLAYTON. Yes, that is right.

Senator BUTLER. That is all.

Senator BREWSTER. Apropos of what Senator Millikin said a little while ago, there was a recent case that is pending here of the Japanese gloves being offered in this country at $2.70 a dozen. The glove manufacturers in this country are entirely unable to meet such a figure.

Now, that is only an offer at the present time, and it would probably be 6 months before those imports would come in. Meanwhile, the glove manufacturers in this country have to wait. They cannot make an appeal under the escape clause for there are no imports, but they have to wait until the imports arrive. Meanwhile they have to close down as far as that respective market is concerned. The orders are placed, and they will come through.

Now, is there any practical way of relieving us of a problem of that character?

Mr. CLAYTON. They do not have to wait until the imports arrive. The escape clause says if they suffer serious injury or threat of injury. Now, if they can prove that these offers are bona fide offers, and are being accepted and that the goods are on the way or are moving——

Senator BREWSTER. They would not be moving, they would probably be in the process of manufacture.

Mr. CLAYTON. I do not know what rules the Tariff Commission has adopted, but if they can prove that there have been bona fide offers accepted by importers in this country, I would think that that should be as good as if the goods arrived, or as good evidence as if the goods had arrived.

Senator BREWSTER. You would agree, I suppose, that during both the 1930's of the depression and the 1940's of the war that the problem has not been tested in any realistic way. Would you agreed with that?

Mr. CLAYTON. What problems?

Senator BREWSTER. The problem of whether we have had adequate protection, and whether or no our various protective devices would operate.

Mr. CLAYTON. I think, Senator Brewster, that that is probably true, and that the real test will come if we have a serious recession, not a depression. I do not want to speak of that, because I do not think we are going to have it, but if we have a serious recession in business, I think that then the problem will arise. We will know pretty soon.

Senator BREWSTER. May not the recession grow from the increased productivity of foreign countries as a result of their revival, and as a result of our reequipment of their factories with our modern machinery and scales, which will enable them to ship in goods here?

Now, the imports have risen to $7,000,000,000, which I believe is the highest in our entire history, has it not?

Mr. CLAYTON. The highest in value, yes.

Senator BREWSTER. And may that not be an important contributing cause to a recession?

Mr. CLAYTON. I do not think so, and I do not think that there is any evidence as yet that that has been the case up to now. I think, furthermore, as these countries get into production and are able to

export more goods, if we are able to take those goods into this country in payment of the goods we sell them so that we do not have to give them the goods we will then be able to reduce taxes and get the whole situation in better shape than it is today.

I think that that should be a very helpful thing in connection with any development of unemployment.

Senator BREWSTER. Well, we have quite a number of cases in various parts of the country where there is a very strong feeling that injury is now resulting, which I assume will at the proper time be subject for consideration by the committee.

When, as, and if those are presented, I should be interested if you will comment on them. Are you still consultant for the Government?

Mr. CLAYTON. No, sir. I am a private citizen now.

Senator BREWSTER. So you can speak your mind.

Mr. CLAYTON. That is right.

Senator BREWSTER. Well, if you are in this vicinty after these various items come up about which I will not speak now, I should be interested in the benefit of your certainly very expert opinion in this situation.

Mr. CLAYTON. Thank you, sir. I will be glad to listen to them.

Senator BREWSTER. The figures which I have on the British were that while the ratio of custom duties to imports of the United States declined from 18 to 8 percent, the same period saw the ratio of duties to imports in the United Kingdom increased from 26 to 44 percent. Would that surprise you?

Mr. CLAYTON. It does.

Senator BREWSTER. New Zealand from 21 to 36 percent.

Mr. CLAYTON. I think one of the answers in the United Kingdom may be that they are growing more of their food. Food always came in free, of course, and they are growing more of their food and that therefore the percentage of duty-free imports has declined, due to the fact that they are producing so much more of their food.

I imagine that would be the answer, though I do not know.

The CHAIRMAN. Senator Hoey, do you have any questions?

Senator HOEY. I have no questions.

The CHAIRMAN. Very well, Mr. Clayton. Thank you very much.

We will insert in the record at this point a letter from the Secretary of Labor, dated January 28, 1949, to the chairman of the committee.

(The letter is as follows:)

DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, January 28, 1949.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: As one of the departments which have been directly involved in the administration of the Trade Agreements Act, the Department of Labor would like to place its views before your committee in connection with consideration of the act's extension.

I need not dwell at length on the interest of American workers and their families in the continuation of the trade-agreements program. High levels of world trade mean high standards of living at home, making available to labor those materials and products that can be produced most efficiently abroad, and making available to workers abroad, both for consumption and for economic development, what we produce in the United States. If we are to participate in the development of productivity and living standards abroad in the manner outlined by the President in his inaugural message, we must surely visualize a continually expanding stream of multilateral trade.

In the opinion of the Department of Labor, an immediate extension of the Trade Agreements Act is desirable to facilitate the negotiations for which the administration is now preparing, and thereby broaden the coverage of the general agreement on tariffs and trade. The present duration of the act is too brief to assure reasonably adequate accomplishment within its term.

It is also the Department's opinion that the 1948 amendments to the act which established the peril-point mechanism should be removed, and that the method for the negotiation of agreements should revert to the procedure of fully cooperating interdepartmental machinery previously in use under the statute. The Department of Labor believes that, insofar as tariffs are concerned, the well-being of workers and their families in the United States can be adequately protected through such machinery.

I should also like to call your attention to one other respect in which the language of the act might be improved. It is now provided that the President shall seek information and advice, in connection with the negotiation of a trade agreement from several Government agencies specifically named, and from "such other sources as he may deem appropriate." The Department of Labor has been added by Executive order to the group of agencies specifically mentioned by name. Since 1947 the Department of Labor has been represented on the Interdepartmental Committee on Trade Agreements, and since 1948 on the Committee for Reciprocity Information. The inclusion of the Department of Labor among the agencies specifically mentioned in the statute would make clearer to the general public the broad base upon which the trade-agreements program is administered.

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,

MAURICE J. TOBIN,
Secretary of Labor.

The CHAIRMAN. We will recess now until 10 o'clock tomorrow morning.

(Whereupon, at 4:40 p. m., the committee recessed until 10:00 a. m., of the following day.)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

FRIDAY, FEBRUARY 18, 1949

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

The committee met at 10 a. m., pursuant to adjournment, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Byrd, Lucas, Hoey, Millikin, Butler, Brewster, Martin, and Williams.

The CHAIRMAN. The committee will come to order.

As our first witness this morning we are pleased to have with us one of our colleagues, Senator Lodge of Massachusetts.

You may proceed, Senator.

STATEMENT OF HON. HENRY CABOT LODGE, JR., A UNITED STATES SENATOR FROM THE STATE OF MASSACHUSETTS

Senator LODGE. Mr. Chairman and gentlemen, the purpose of my presence here this morning is to ask your committee to incorporate in the bill now pending before you, extending the President's authority to negotiate trade agreements, certain provisions which will protect American industry against harmful foreign competition. The strength of this measure, in my opinion, is that it is sufficiently elastic in scope to permit this protection to American industry without adversely affecting the basic objective of this bill.

I think this can be done by providing that when the Tariff Commission finds that duties or quotas are so low as to threaten serious injury to domestic industry, the Commission must inform the President of this fact, and also advise him what increases in duties or what additional restrictions are necessary to protect American producers.

Such a report by the Tariff Commission is, in effect, a "stop, look, and listen" sign to guide the President in fulfilling his assurance to the American public that, in the conduct of the trade agreements program, domestic producers will not be injured. The law in my judgment should also contain some language which will enable the President to make such modifications as are necessary to prevent harm to domestic industry.

I recognize and endorse the policy of encouraging international trade as a means of improving living standards here in America, of rebuilding prostrated peoples abroad, of preventing the spread of communism and thereby of improving the chances of world peace. These policies are manifestly in the interests of everyone, including those who work in American industries now suffering from foreign competition. Moreover, it would obviously not help those engaged

in these industries to destroy the entire Reciprocal Trade Act, in view of the fact that a large part of the act's operations do not touch them.

Consistent with this belief, I feel that some safeguards should be established by Congress to insure that domestic industries are properly protected against injury.

Now, for example: I have received communications from many organizations in Gloucester, Mass., regarding the situation respecting fisheries, which they regard as absolutely desperate. The city of Gloucester is dependent almost entirely on the fishing industry. I live only a few miles from there myself, and they have told me just this last week that unless some protection is afforded them, they are going to have to give up the fishing business.

Well, that is not only a serious thing for Gloucester and for Massachusetts; it is a national problem, because at least a great part of the fish consumed in the Midwest and the interior of the country come from that area, and if we should find ourselves in a war and dependent on a foreign fishing industry, it is not going to be a good thing for the diets of the American people.

I have received communications from Mr. Jeremiah F. O'Meara, city clerk of the city of Peabody, Mass., telling me of the great damage which has been done to the leather industry in the city of Peabody due to inadequacies in the rates, and a letter from Mr. James F. McNiff, secretary-treasurer of the Peabody Social and Athletic Club, regarding the dangers to the employment of those who work in the leather industry.

Senator MILLIKIN. Would you mind an interruption, Senator?

Senator LODGE. Not at all.

Senator MILLIKIN. Where is the competing fish coming from? Canada?

Senator LODGE. Yes; Canada.

I have a letter from Mr. Ruel H. Smith, of North Attleboro, Mass., regarding the effect which present conditions are having on the jewelry industry. That is in the southeastern part of Massachusetts.

I have a communication from the Barre Wool Combing Co. of Boston, Mass., regarding the harmful effect of the increased imports of foreign textiles, and a communication from the board of selectmen of the town of North Andover, Mass., expressing concern as to the effect of current policies on the textile industry. I have also heard from the Greater Lawrence Textile Council, American Federation of Labor, in a communication signed by George F. Driscoll, expressing opposition to the reciprocal trade policy insofar as it affects textiles in that great industrial city, where everyone's livelihood is contingent on the textile business.

Also, I have a communication from Mr. Gordon F. Gaffney, who is city clerk of the city of Lawrence, officially and formally expressing the sentiments of the mayor and the city government, and their concern regarding the harmful importation of certain foreign products.

I also cite a communication from the Merrimac Hat Corp. of Amesbury, Mass., regarding the threats to the welfare of this industry.

Then I have had many communications and many contacts with the American watch industry, notably the American Watch Assemblers Association, the watch-workers' union, the Waltham Watch Co., which, as I think is well known here in Washington, has been in a desperate

condition; and certainly one factor which contributes to this result has been the factor of Swiss importations.

Now, Mr. Chairman, many of these industries produced vital military equipment in World War II. Of course the watch industry is practically the only industry to which we can look in time of war to make instruments that are essential to the conduct of such a war.

The woolen industry is essential to military operations, too, as far as that goes; and so is the leather industry.

I most earnestly request, therefore, that your committee invite representatives of the Military Establishment to testify on the interrelationship which I believe exists between our trade agreements program and the national defense. I think this is a point of fundamental importance, concerning which the Senate should have authoritative evidence.

I also hope that the committee will receive testimony from the Tariff Commission itself on the general nature of the amendments which I have suggested.

We can—and we must—promote peace without harming our own home industry. The challenge to statesmanship is do them both. There is not, and there should not be, any conflict between these great objectives, both of which mean so much to the livelihood and the lives of the American people.

That concludes my statement, Mr. Chairman.

Senator MILLIKIN. Mr. Chairman, may I ask the Senator to repeat his affirmative suggestions for amendments?

Senator LODGE. I suggested that a provision be made that when the Tariff Commission finds that the duties or quotas are so low as to threaten serious injury to domestic industry, the Commission—

must inform the President of this fact and also advise him what increases in duties or what additional restrictions are necessary to protect American producers.

I say that is, in effect, a "stop, look, and listen" sign to guide the President. And then the President acts on those recommendations.

Senator MILLIKIN. That is the main purpose of the law as it now stands; as it was adopted last year.

Senator LODGE. Yes.

Senator MILLIKIN. And this would tend to remove even that thin and tenuous protection to American industry.

Senator LODGE. I do not consider that I am taking an arbitrary or unreasonable view. I am in favor of the broad objectives of this act. And I do not see how the foreign trade policy can expect to succeed unless you can have people over here who can buy the products of foreign countries. And how can you expect a textile worker in Lawrence, or a watch worker in Waltham, or a fisherman in Gloucester, or a leather worker in Peabody, or a jewelry worker in Attleboro to buy the products of foreign industries if he is out of a job? I do not know.

The CHAIRMAN. Senator Butler.

Senator BUTLER. Senator Lodge, evidently there has been a drop in employment in your State due to the situation that you have told us of.

Senator LODGE. I believe so; yes.

Senator BUTLER. Do you have any way of estimating what that might amount to?

Senator LODGE. I can get you figures as to unemployment in Massachusetts. Just exactly how much of it is attributable to this I think might be rather a difficult point, but I will try to find it out and I will file it with the committee.

Senator MILLIKIN. It might be that the Tariff Commission has some statistics on those particular industries that you mentioned.

Senator LODGE. That would be very interesting to me.

The CHAIRMAN. You gentlemen representing the Tariff Commission will please note this. And if you have any figures on unemployment due to what you think is the effect of present tariff policies, please file them with the committee and call the committee's attention to them, so that they may be put into the record.

Senator Lodge, thank you very much sir.

Senator LODGE. Thank you, Mr. Chairman.

(The information requested is as follows:)

FISHERIES

One of the major segments of the fish industry of the United States is the production of fresh and frozen fillets of cod, haddock, hake, pollock, cusk, and rosefish, commonly referred to as groundfish fillets. Substantially the entire United States production of groundfish fillets, which increased from about 100,000,000 pounds a year in 1937–39 to 119,000,000 pounds in 1947 and an estimated 154,000,000 pounds in 1948, is the product of the New England States, with Massachusetts producing about 75 percent of the total. The principal producing areas in Massachusetts are Gloucester, Boston, New Bedford, and Provincetown.

United States imports, almost entirely from Canada, Newfoundland, and Iceland, increased from about 9,000,000 pounds a year in 1937–39 to 35,000,000 pounds in 1947 and to 54,000,000 pounds in 1948. Thus, the ratio of imports to apparent consumption increased from about 9 percent in 1937–39 to 23 percent in 1947 and to 26 percent in 1948. The following table shows United States imports of fillets of groundfish, by months, for the years 1947 and 1948.

Information on employment in the domestic industry is not available. It is known that increasing production and imports have resulted in the present cold-storage holdings being substantially above the usual holdings for this season of the year. With abnormal inventories, domestic producers are reluctant to continue production at recent high levels, and it is probable that these producers are curtailing operations until some part of the holdings are disposed of.

Among other factors tending to reduce operations in this industry are the presently unstable prices for both domestic and imported groundfish fillets and the uncertainty surrounding the volume and price of future imports.

Fillets of groundfish (cod, haddock, hake, pollock, cusk, and rosefish), fresh or frozen: United States imports for consumption, by months, 1947–48 [1]

Month	1947		1948	
	Quantity	Value	Quantity	Value
	Pounds		*Pounds*	
January	2,825,028	$588,676	3,537,725	$782,305
February	1,433,537	291,477	3,829,748	830,445
March	2,351,720	445,903	4,295,595	791,048
April	2,053,145	353,766	4,784,424	933,333
May	2,440,933	375,469	4,263,347	828,206
June	2,022,864	330,639	4,570,986	907,906
July	2,225,831	344,493	6,633,023	1,350,080
August	2,005,522	318,546	5,285,089	999,699
September	4,389,935	759,915	4,163,363	831,480
October	6,610,774	1,117,068	6,300,083	1,284,100
November	3,564,856	622,619	3,676,227	683,264
December	3,169,290	644,170	2,623,936	529,972
Total	35,093,435	6,192,741	53,963,546	10,751,838

[1] Preliminary.

Source: Official statistics of the U. S. Department of Commerce.

LEATHER INDUSTRY

The leather industry of Massachusetts accounts for about 25 percent of the total output of leather in the United States. In 1948, the number of workers engaged in the production of leather in Massachusetts was considerably smaller than the number employed in 1947. Comparable data on employment are available only for the last 5 months of 1947 and 1948. The indexes of employment in the leather industry of Massachusetts in these months are given in the following table:

Index of employment in the leather industry of Massachusetts, August–September 1947 and August–September 1948

[1935–39—100]

Month	1947	1948
August	106.8	98.5
September	113.5	94.7
October	114.5	100.6
November	113.1	99.8
December	112.7	101.8

Source: Bureau of Labor Statistics.

The value of United States imports of leather increased only slightly in 1948 compared with imports in 1947, indicating that factors other than increased imports were the principal causes of unemployment in the leather industry in 1948. The two most important factors contributing to the decline in employment were the marked decrease in United States exports of leather and the smaller United States production of leather products in 1948 than in 1947. The volume of exports of sole and belting leather showed a decline in 1948 compared with 1947 of about 70 percent; the volume of exports of all other classes of leather combined declined by about 27 percent. Exports of upper leather, especially important to the leather industry of Massachusetts, decreased in the same period by about 30 percent. The table below gives the foreign value of United States imports of leather in 1947 and 1948.

Leather: United States imports for consumption, by months, 1947 and 1948

1947 [1]	Value	1948 [1]	Value
January	$2,596,311	January	$2,759,558
February	1,719,556	February	1,982,322
March	1,409,905	March	1,828,155
April	954,558	April	1,719,541
May	764,952	May	1,281,691
June	596,929	June	1,431,335
July	968,333	July	1,607,180
August	967,862	August	1,244,104
September	1,604,993	September	1,086,720
October	2,224,114	October	1,214,905
November	2,146,796	November	1,189,898
December	2,352,337	December	1,369,320
Total	18,306,646	Total	18,714,729

[1] Preliminary.

Source: Official statistics of the U. S. Department of Commerce.

JEWELRY INDUSTRY

A substantial part of the United States jewelry industry is concentrated in Massachusetts. Although more costume jewelry than precious-metal jewelry is produced there, both categories are important in the total output of jewelry in that State. Output of jewelry was high in the United States immediately after the war, when jewelry was especially favored by style trends and by availability of the product. By 1947, however, output of jewelry had declined to a much lower level.

United States imports of jewelry and related articles in the years 1945 through 1948 were as follows:

Year:	*Foreign value*	Year:	*Foreign value*
1945	$6,049,000	1947	$1,926,000
1946	3,481,000	1948	3,103,000

The increase in imports from 1947 to 1948 occurred in jewelry and related articles other than those made from precious metals, i. e., in the lower value brackets. In the manufacture of such jewelry and related articles a decrease in employment has recently occurred; but official statistics on the extent of the decrease are not available, either for Massachusetts or for the United States as a whole.

Employment data are available for the industries making precious-metal jewelery and jewlery's findings. For this category of jewelry, however, employment has been fairly constant and imports have shown a decline in 1948 as compared with 1947.

The following table shows United States imports of precious-metal jewelry and parts and the number of employees engaged in the making of such jewelry, by months, for 1947 and 1948.

United States imports of precious-metal jewelry and parts, and estimated number of production workers in the United States engaged in making precious-metal jewelry and jewelers' findings by months, 1947 and 1948 [1]

[Value of imports is foreign value]

Year and month	Imports	Number of workers
		In thousands
1947:		
January	$129,212	27.3
February	110,805	27.2
March	79,009	27.1
April	120,862	26.3
May	58,647	25.6
June	64,389	25.3
July	45,090	24.7
August	76,744	25.6
September	80,644	26.4
October	57,599	27.5
November	69,554	28.1
December	52,998	27.7
Total and average	948,553	26.6
1948:		
January	54,082	27.3
February	63,306	27.5
March	77,630	27.6
April	50,173	27.1
May	68,205	26.4
June	77,236	26.3
July	64,633	25.8
August	59,321	26.3
September	67,633	27.1
October	105,315	27.5
November	93,418	27.5
December	90,984	26.8
Total and average	871,936	26.9

[1] Preliminary.

Source: Imports, official statistics of the U. S. Department of Commerce; employment, official statistics of the U. S. Bureau of Labor Statistics.

WOOL COMBING

Wool tops is the principal product of the wool-combing industry. In the United States wool tops which are used in making worsted yarns are combed by integrated mills for their own use or for sale and by commission combers who sell their output to worsted yarn spinning mills. Massachusetts has about 43 percent of the combs used in producing wool tops in this country and is the principal producing State.

United States production of wool tops amounted to 203,000,000 pounds in 1939. Of this amount 56 percent was produced by integrated mills and 44 percent was processed by commission combers. In the first 10 months of 1948 domestic production amounted to 263,000,000 pounds, an amount which was probably somewhat larger than the production for the corresponding period of 1947.

Until 1948, United States imports of wool tops were negligible and this country was on an export basis. In 1947 United States exports amounted to 7.1 million pounds, valued at 9.3 million dollars, while imports into the United States amounted to only 264,000 pounds, valued at $283,000. In 1948, however, the situation was reversed; exports declined to only 262,000 pounds, valued at $334,000, and imports rose to more than 3.9 million pounds, valued at 5.7 million dollars. The following table shows imports of wool tops into the United States, by months, for 1947 and 1948.

Data on employment in the domestic wool-top industry are not available, but data on employment in the woolen and worsted industry as a whole indicate that there has been an increasing number of persons laid off, especially in the last 4 months of the year. In the latter months of 1948 production of wool tops also declined; in the first 6 months of the year production was fairly constant, about 6.6 million pounds per week, but by September and October it had dropped to 5.6 and 5.1 million pounds per week, respectively. The decrease in exports and the increase in imports of wool tops have also been factors which have contributed to the unemployment situation in this industry.

Tops of wool and other hair: United States imports for consumption, by months, 1947–48

Month	1947		1948	
	Quantity	Value	Quantity	Value
	Pounds		*Pounds*	
January	13,665	$15,617	61,773	$97,599
February	44,291	30,162	122,380	154,482
March	41,329	39,617	97,617	150,648
April	86,314	90,886	140,039	201,305
May	36,514	32,121	121,074	151,056
June	1,198	1,188	397,694	561,889
July	18,232	23,764	591,809	815,516
August	14,154	22,112	344,057	539,149
September	----------	----------	514,267	712,489
October	6,500	26,000	300,436	433,887
November	----------	----------	598,577	919,627
December	2,001	2,027	644,058	944,069
Total	264,198	283,494	3,933,781	5,681,716

Source: U. S. Department of Commerce.

TEXTILES

The most important textiles produced in Massachusetts are woolens and worsteds, and cotton cloth. About 30 percent of the total spindles and looms in the United States woolen and worsted industry and 11 percent of the spindles and looms in the cotton goods industry are located in Massachusetts. The following two tables show the imports and employment in the woolens and worsted industry of the United States by months for 1947 and 1948, and data on employment, imports, and exports of cotton cloth for the same periods.

United States imports of woolen and worsted fabrics increased from 2,489,000 pounds in 1947 to 4,708,000 pounds in 1948 while exports of such fabrics decreased from 17,297,000 pounds in 1947 to 5,391,000 pounds in 1948.

Imports of cotton cloth increased from 15,950,000 square yards in 1947 to 31,755,000 square yards in 1948 while exports of cotton cloth declined from 1,470,462,000 square yards in 1947 to 939,622,000 square yards in 1948.

The decline in exports of woolen and worsted fabrics and of cotton fabrics together with the increase in imports contributed to the increased unemployment reported by that industry in the last few months of 1948; but other factors, such as the decline in consumption, also contributed.

Woolens and worsteds: Imports for consumption and employment in the United States, by months, 1947 and 1948

[In thousands]

Month	1947			1948		
	Imports		Number of employees	Imports		Number of employees
	Quantity	Value		Quantity	Value	
	Pounds			*Pounds*		
January	220.1	$685	180.2	580.5	$2,068	177.4
February	248.0	759	179.4	347.9	1,303	179.5
March	145.2	490	175.1	463.4	1,661	178.3
April	202.3	653	169.9	444.6	1,595	175.0
May	237.0	815	164.3	367.2	1,414	173.2
June	250.6	811	162.9	449.9	1,710	173.8
July	274.5	959	158.1	276.9	1,144	167.5
August	197.8	695	162.9	347.8	1,453	169.8
September	211.2	727	168.7	337.2	1,473	165.8
October	298.7	1,010	170.9	382.1	1,625	159.6
November	154.4	611	174.2	266.3	1,150	158.2
December	49.0	147	177.3	444.6	2,054	156.5
Total	2,488.8	8,362	.....	4,708.4	18,650	.....

NOTE.—Exports of woolens and worsteds were valued at $39,353,000 in 1947 and at $12,799,000 in 1948.

Source: Employment, Bureau of Labor; imports, U. S. Department of Commerce.

Cotton cloth: Employment in cotton manufacturing, except small wares, and imports and exports of cotton cloth, by months, 1947 and 1948 [1]

Year and month	Employment	Imports	Exports	Year and month	Employment	Imports	Exports
1947	*1,000 persons*	*1,000 square yards*	*1,000 square yards*	*1948*	*1,000 persons*	*1,000 square yards*	*1,000 square yards*
January	518	1,687	86,338	January	524	2,308	93,907
February	520	1,203	86,808	February	525	3,461	82,410
March	519	888	123,539	March	529	2,372	75,614
April	517	907	138,196	April	526	2,760	80,070
May	509	1,135	146,686	May	525	3,813	79,889
June	502	472	125,349	June	528	3,916	73,129
July	493	1,076	129,275	July	510	2,670	71,937
August	494	883	140,686	August	522	2,197	63,673
September	499	1,624	130,693	September	517	1,433	62,456
October	508	1,196	136,995	October	511	2,604	83,294
November	517	718	123,480	November	509	2,006	58,030
December	523	4,161	102,417	December	508	2,215	115,213
Total	.....	15,950	1,470,462	Total	.....	31,755	939,622

[1] Preliminary.

Source: Employment, U. S. Department of Labor. Imports and exports, U. S. Department of Commerce.

WOOL-FELT HATS

Wool-felt hat bodies, from which wool-felt hats are made, are produced in the United States in factories located principally in Massachusetts and Pennsylvania. Massachusetts produces approximately 25 percent of the total United States production.

Average annual production of wool-felt hat bodies in this country in the 8-year period 1940–47 amounted to 3,477,000 dozen of which 80 percent were for women and 20 percent for men. Mainly because of the "hatless" habit, total production in the first 9 months of 1948 fell to 1,719,000 dozen compared with 2,220,000 dozen in the corresponding period of 1947, a decline of 23 percent.

The total number of wage earners employed in the wool-felt hat industry in this country was 4,421 in 1939; 4,600 in 1941; 3,600 in 1945; and 1,850 in 1948.

United States imports of wool-felt hat bodies are virtually all for use in making hats for women and children. Prior to World War II imports were substantial. Italy and Japan were the principal suppliers. Imports since 1939 have been negligible and therefore could not have significantly affected employment. Of the total United States consumption since 1939, about 98 percent was supplied by the domestic industry.

WALTHAM WATCH CO.

In the last decade the Waltham Watch Co., located in Waltham, Mass., has been the third largest producer of jeweled watches in the United States and has stood fourth in the value of sales. There are three other jeweled-watch producers in this country, Elgin, Bulova, and Hamilton. The Waltham company's secondary product has been speedometers which accounted for about 20 percent of the company's total sales in 1947.

The city of Waltham has a population of about 40,000: the Waltham Watch Co. is believed to be the largest single industry in that city and in 1947 employed about 2,500 persons.

From the 1920's through 1948 the Waltham Co. has frequently reported annual deficits and has repeatedly waived dividends. No dividends have been paid by the company since 1937. With net sales of $11,200,000 in 1947 the company had outstanding debts of $3,900,000. The company is now in the hands of receivers and reorganization and refinancing calls for loans totaling $9,000,000; $5,500,000 from the Reconstruction Finance Corporation, $3,000,000 from stockholders, employees, and Waltham merchants, and $500,000 from Boston banks.

The CHAIRMAN. I believe Mr. Swingle is to precede Mr. Ogg, by mutual agreement.

Mr. Swingle, you may proceed with your statement.

STATEMENT OF WILLIAM S. SWINGLE, EXECUTIVE VICE PRESIDENT, NATIONAL FOREIGN TRADE COUNCIL, INC., NEW YORK, N. Y.

Mr. SWINGLE. Mr. Chairman and gentlemen of the committee, my name is William S. Swingle. I am executive vice president of the National Foreign Trade Council, Inc. 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 foreign commerce.

The council wishes to place itself on record in support of the bill passed by the House of Representatives, H. R. 1211, for revision and extension of the Trade Agreements Act.

Since its inception in 1914, the council has supported the principle of an expanded world trade through reciprocal reductions of tariffs and other barriers to trade. It vigorously championed the Trade Agreements Act of 1934 and strongly supported each successive renewal of the act. At the time of renewal in June 1948, the council advocated a 3-year extension of the act substantially in the form in which it had been originally enacted in 1934. On that occasion I personally appeared and presented a statement before your committee.

The council wishes briefly to reiterate the position which it has taken on many occasions in the past; namely, that the trade-agreements program is vital to the economic well-being both of the United States and of the world as a whole. In the opinion of the council, the approach of the United States to the problem of world trade must be guided by two overriding considerations. The first is that the world economy requires the expansion and maintenance of interna-

tional trade on a scale vastly in excess of that of any previous period. The second is that the world economy in general, and that of the United States in particular, require an immediate and sustained increase in imports of this country far beyond the present or any previous level.

The need for a vast increase in world trade stems directly from the recent war. Countries whose industries were destroyed or seriously damaged by war must depend upon imports of capital goods and other products from abroad if their productive facilities are to be restored and their economies are to be rehabilitated without long periods of delay. Such delays would entail hardship for themselves and bring harm to other nations dependent for outlets for their excess production on demands generated by the restored countries.

Other important industrial nations, although their industries escaped wholesale destruction from war, nevertheless have been unable to make needed repairs or replacements of productive equipment, with the result that their productive plants are greatly in need of rejuvenation and expansion to meet present demands upon them. These and many other countries, especially those with underdeveloped economies, are greatly in need of imports of capital goods and other products. The demands resulting from these needs necessitate a vast increase in production and trade among nations.

The productive facilities of the United States expanded enormously as a result of the war. This expansion intensified the need for a large increase in both our export and import trade. This country needs to maintain an expanded export trade as a means for the disposition of the excess production of its agriculture and war-expanded industrial plant. An expanded export trade is also important as a means of obtaining exchange with which to purchase abroad mineral and other raw-material resources where the domestic reserves were greatly depleted as a result of wartime expansion of industrial output in the United States.

Imports of raw materials and other products from abroad are necessary not only to supplement our own resources and to support a vigorous and progressive domestic economy but to correct the present and prospective great excess of exports over imports of this country. Dealing with the need for increased American imports, the proposed foreign economic policy for the United States adopted by the Thirty-third National Foreign Trade Convention in 1946 states:

> In seeking the expansion of our foreign trade, our foreign economic policy will take into account the full implications of the present unbalanced state of our foreign trade. This condition of unbalance has been aggravated by the general disorganization of productive facilities abroad and by the loans and credits made by the Government for purposes of relief and rehabilitation. Since the excess of exports over imports is only partially offset by the expenditures of our citizens for tourist travel and other foreign services, the difference can be met only by depleting the present gold and dollar resources of other nations or by providing them with additional loans or gifts.
>
> Since both of these alternatives must be regarded as inimical to the best interests of the American people, it is the definite intent of our foreign economic policy to seek correction of the condition which now prevails by affording the American people every opportunity to increase their use of foreign goods and services. In working toward this objective, due consideration will be given to the safeguarding of American industries producing strategic materials or other products essential to the national defense, to the avoidance of too rapid a displacement of any of our productive facilities, and to the need for an intelligent conservation of our own resources and substance.

As a means of carrying out the principles above set forth, the convention further declared:

> The convention calls for a greatly increased importation of goods and services into the United States in the interest of the maintenance and enrichment of our domestic economy and in order to validate to the maximum the transference of our goods and capital abroad. This need has now been intensified by the Government loans and credits extended to foreign nations, which have served to stimulate our exports to unprecendented levels. Additional imports will be called for both to provide the dollar exchange necessary to pay for this expanded volume of exports and to cover the interest and amortization requirements of the loans themselves.
>
> The need for increased imports has been further accentuated by the depletion of our natural resources during the war. The convention cites particularly the desirability of conserving scarce metals, minerals, and other materials essential to the national defense or required to maintain a high level of productivity in the domestic economy, by increased reliance upon importation.

If the United States is to maintain a large volume of exports, if its imports are to be increased to the level required to meet domestic needs, if a balanced relationship between the American and world economy is to be established, and if trade among nations is to be expanded to the degree which world economic reconstruction and development require, then a vigorous and cooperative effort must be made by all nations to eliminate discriminations and to reduce tariffs and other barriers to international trade. The council believes that a revised and extended Trade Agreements Act will contribute greatly to this end.

The trade-agreements program may not appear to be important to the export trade of the United States in the immediate future, when the requirements of foreign countries for economic rehabilitation and reconstruction will provide a market abroad for all the capital equipment and other products which this country can spare. The time may be expected to arrive when foreign outlets for the excess production of this country may become vital to the American economy. 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 to develop and expand outlets abroad for American products, both of industry and agriculture.

As regards the proposed revision of the Trade Agreements Act, the council endorses the proposal for extending the act for a specific period ending June 12, 1951. Extension of the act for such period would provide adequate time for the negotiation of contemplated trade agreements. Moreover, required periodic congressional sanction of the trade bargaining authority contained in the act would not only be in harmony with sound democratic procedures but would facilitate review of the trade-bargaining program from time to time.

The council also endorses the proposed elimination of the existing provision requiring the Tariff Commission to fix peril points beyond which no reductions in American tariff rates may be made in trade-agreement negotiations except under strictly limited conditions. Such provision does not appear 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 in October 1947 contained, and the President has announced that all future trade agreements entered into by this country will contain, an escape clause. Such escape clauses provide that a tariff concession granted by the United States in a trade agree-

ment can be modified or withdrawn if imports of the product on which the concession is granted increase in such amount as to injure or threaten injury to a domestic industry.

Such an escape clause affords a much more realistic device for protecting American industries from harmful competition from foreign concerns in the American market than is afforded by a provision prohibiting tariff cuts in trade-agreement negotiations beyond those recommended by the Tariff Commission.

Investigations under the escape-clause provision would be based on actual facts confronting an American industry which claimed it was injured or actually threatened with injury by imports of a product on which a trade-agreement concession had been granted by the United States. In such 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.

As contemplated in the proposed measure, the council strongly urges that the United States Tariff Commission be restored to an important position among the agencies of the Government giving advice and assistance in the negotiation of trade agreements. Not only should the President be authorized to seek advice and information from the Tariff Commission in carrying out the program, but representatives of the Commission should be permitted to assist United States negotiators in the negotiation of trade agreements. Occasions often arise in the give and take of trade-agreement negotiations when it is necessary for the United States negotiators to have further and immediate advice relating to potential competitive effects of contemplated reductions in American tariff rates. At such times it is very essential that the negotiators of this country have direct access to representatives of the Tariff Commission who are best qualified to impart the needed advice.

In supporting revision and extension of the Trade Agreements Act, the council does so not only because of its belief in the advantages of the trade-agreements program both to the United States and foreign countries but because it feels that the bargaining power which we possess by virtue of the act can be utilized as a means of obtaining other types of agreements which are essential to the promotion and protection of American foreign trade and investment. Treaties of friendship, commerce, and navigation and other complementary treaties and agreements constitute integral and important instruments in American foreign economic policy which, in our opinion, are beneficial both to the United States and to other countries which are parties thereto.

At present, many of the advantages which American enterprises might reap under the trade-agreements program are not being realized because of restrictions placed by foreign governments on the activities of American enterprises within their territories or because of failure of foreign governments to provide essential protection for such enterprises. The council therefore feels that either prior to or during trade-agreement negotiations emphasis should be given toward securing commitments from the countries concerned that they will agree to negotiate modernized and up-to-date treaties of friendship, commerce, and navigation, tax treaties, and other types of agreements which are necessary to protect the rights of Americans to enter, reside, and carry

on permitted business activities within the territories of such countries, provided they do not now have such agreements with this country.

As a means to the elimination of barriers to international trade and to the protection of American enterprise abroad, the council strongly urges the speedy enactment of legislation to extend the Trade Agreements Act in accordance with the foregoing views.

The CHAIRMAN. Any questions?

Senator Millikin?

Senator MILLIKIN. Do you believe in the principle that domestic industry should be safeguarded in these agreements?

Mr. SWINGLE. Yes, sir.

Senator MILLIKIN. Do you carve out any exceptions to that?

Mr. SWINGLE. No. I say in my statement that I believe that due consideration should be given "to the safeguarding of American industries producing strategic materials or other products essential to the national defense, to the avoidance of to rapid a displacement of any of our productive facilities," and so forth.

Senator MILLIKIN. That is what prompted my question. You said "due consideration." What do you mean by "due consideration"? Do you mean it should be an absolute rule, or should merely be thought of?

Mr. SWINGLE. I think this should be given much more than a thought. I think it should be given very careful investigation. In fact, the type of damage or indicated damage the Senator spoke of a few minutes ago should be carefully investigated by all those concerned; and if any damage is threatened, or an actual damage has taken place, I would think that due action would be taken in order to see that American industry was not seriously damaged.

Senator MILLIKIN. Can you give me a straight-out answer to this question: Do you believe that American industry should be safeguarded in the negotiation of these agreements?

Mr. SWINGLE. I do, sir.

Senator MILLIKIN. Without exception of any kind?

Mr. SWINGLE. They should be safeguarded.

Senator MILLIKIN. You believe that they can be safeguarded by the use of the escape clause?

Mr. SWINGLE. I do, sir.

Senator MILLIKIN. And therefore you do not believe that the peril point need be established in advance?

Mr. SWINGLE. Correct.

Senator MILLIKIN. Are you familiar with the escape-clause procedure?

Mr. SWINGLE. I have read it, sir. I have never operated under it, but I have gone over it, and I have a fair understanding of it.

Senator MILLIKIN. Let us see if our minds are running together. Assuming that X industry feels that it is being injured or threatened with injury, and it then assembles its data for a petition to the Tariff Commission to ask for an investigation leading, it hopes, to a recommendation to the President that an escape be taken; that takes considerable time, does it not, especially if the industry is large and complicated?

Mr. SWINGLE. Well, it might take time; but I would think that if injury existed or was coming about, or was being threatened, the

industry would have begun to assemble facts and would have assembled facts to support its position.

Senator MILLIKIN. Of course, it would take time to do so, would it not?

Mr. SWINGLE. Oh, certainly.

Senator MILLIKIN. That is one time-consuming step. It prepares its petition. You have observed many of those petitions, and you have noticed that they are carefully prepared, as they should be. And that takes time. There has to be approval of the petition and approval of the factual showing by the particular authorities in charge of the particular industry.

All right. They get their petition fixed up, and they present it over at the Tariff Commission. The first question the Tariff Commission has to consider is whether they will make an investigation.

Mr. SWINGLE. Correct.

Senator MILLIKIN. So I ansume that in reaching that decision they consider this petition, determine I suppose whether it takes a prima facie case of injury, contrast the information given in the petition with information in their own possession, and have a meeting, at which they will determine whether investigation will be made. Those steps will take time. They might take several weeks; they might take several months. But they could not be done overnight.

Next step: The Tariff Commission, let us say, decides that it will not make an investigation. So the industry is without the protection it feels it should have. Someone must judge, and so the Tariff Commission has judged that it should not have an investigation.

But let us assume that it decides that there shall be an investigation. It sends its investigators out into the field and makes a study of this industry; which is a big job. It again balances the results of that investigation against information which it has accumulated itself in connection with its general work. After it goes through all of that, which might take several weeks, or might take several months, it then has a meeting to determine what it will recommend.

It may at that point recommend that nothing be done, or it may recommend an escape to the President. If it recommends that nothing be done, the industry is still without the protection which it feels it should have. Obviously the industry would not be allowed to be the sole judge of its own case. Someone must decide. The Tariff Commission has decided negatively. It might be a wise decision, and it might be a very unwise decision; but let us assume that it decides that an escape should be recommended.

That requires the preparation of a report. It has got to be a very careful report, because it will come under very close scrutiny. It will be the basis for all sorts of future negotiations and considerations by others than the Tariff Commission. It will come under the review of the members of the interdepartmental committee, the Commerce Department, the Agriculture Department, the Army, the Navy, and all the others. That will take a lot of time.

All right. The President gets in on his desk. There are many things on the President's desk; and in suggesting that there might be delay there, I am not impugning the executive efficiency of the President. But in any event the President gives the mater consideration. What it really amounts to, I think, in practice, is that he will call in

the Tariff Commission and call in the other departments of the Government that are interested, and take their advice on the subject before reaching his own decision. That takes a lot of time, because they are all very busy.

All right. He decides he will not do anything. So once more the industry finds itself without relief. That might be a wise decision; it might be an unwise decision.

But let us say that he decides they will take an escape. As you know, there are 22 countries that have agreed to the multilateral trade agreement, which generalizes the benefits and generalizes the duties. Any country having an interest in that escape is entitled to protest the escape. If the protest is not heeded, it is entitled to take compensating escapes, which cannot be anticipated in advance. There might be only one or two countries directly interested in those particular items; there might be a dozen. You are now in the field of diplomacy. You have all sorts of inquiries going on, all sorts of soundings-out going on. We want to find out, of course, what the repercussions will be from our escape, what exports will be affected by compensating escapes. Procedures of that kind just follow a responsible attention to business, I suggest.

When they get all through with that, when those inquiries have been made, the President might decide not to formally declare the escape. He might, on the other hand, do it. It might provoke a lot of unpleasant repercussions, as far as export interests are concerned. But that might take months and months and months.

Now, to a businessman a very slight impact, when trade conditions are teetering in the balance, can represent the difference between staying in the black and going into the red.

Do you believe that that is a sufficient safeguard for American industry?

Mr. SWINGLE. I think the escape clause is a sufficient safeguard for American industry. You have painted a picture which no doubt could take place. But I suggest, sir, that in the first place, at the start of your procedure, the Tariff Commission would have available, and no doubt has available, a great deal of information which it has collected over many years. It would have had available information, and the departments would have had available information, which they would have utilized in determining the rate in any trade agreement. In other words, there has been a great deal of work done at the beginning before presentation of the claim of injury or threatened injury by an industry.

I would think that therefore they would not have to take as long a time as you suggest, sir. I think that quite likely the Tariff Commission, with the background of its information and the studies which it has made, which are very comprehensive, very worth while, very excellent, would be in a position, quite likely, unless it was a very complicated case and a very expensive case, to, within much less time than you have suggested, come up with its preliminary decision as to whether or not a hearing would be held. And I think the other procedures would quite likely proceed very much faster.

In the first place, the industry would be endeavoring to get something done. There would be an urge to have it done. And then, when you come to the utilization of the escape clause in the Geneva agree-

ments, the procedure which you suggest is possible. It is one of the procedures, but, on the other hand, there is a provision that if the President decides that the peril situation is immediate, and weighs heavily on American industry, he can announce that he has changed the provisions of the agreement, and he can notify the other countries and consult with them afterward.

The other repercussions which you speak of, on exports and so on, would come afterward, I suppose. What they would be, I don't know. That would be in the future.

Senator MILLIKIN. Of course, the possibility would be in the President's mind, and he has to weigh that.

Mr. SWINGLE. Quite true. He has to weigh those things.

Senator MILLIKIN. So he could not make a profligate immediate escape. I suggest he is going to make inquiry to find out what these repercussions would be.

Mr. SWINGLE. Well, I think that the report which the Tariff Commission would make would be very complete, and he would have to make a decision. He could delay as long as he saw fit to delay.

But I think the answer, in response to your specific question, is that the escape-clause procedure would operate fast enough to protect American industry adequately. And I believe that any American industry would foresee the impact to some extent, would have an idea of what was taking place, and their investigation would prove the case so that it would not be one of these long-drawn-out affairs. If it was very serious to the American economy, I would think the President and all the people in Government would want to act to take the right step and take it as fast as possible.

That is my opinion.

Senator MILLIKIN. Well, in this cumbersome business of Government, you can want to act, you can wish to act very rapidly. But just to get the machinery going and keep it going and come to some end point involves an enormous amount of delay, when you are proceeding with the utmost expedition.

Now let us suppose that we were confronted with a large number of different types of cases calling for escapes. Let us suppose that that problem, sifting up in the way that we have mentioned, reached the President's desk. I suggest to you that under this escape-clause procedure, assuming that it does what you are suggesting that it does, he may take immediate escapes along the line. Let us suppose that he had a dozen or two dozen cases before him. He might well have: we have been engulfed with imports before.

I suggest it would tear your whole reciprocal trade program to pieces. The repercussions would be so numerous under this multilateral agreement, the compensating escapes would be so numerous, and the instances of hard feeling would be so numerous, that you would no longer have a reciprocal trade program serving the purposes that you would like to have it serve.

Mr. SWINGLE. Well, that is a possibility, sir, but I still feel that the escape-clause procedure is adequate to protect industry. That is my opinion, of course.

Senator MILLIKIN. I understand that it is your opinion. I am merely suggesting the time elements and the other facts in the situation from which perhaps a contrary opinion could be reached.

Mr. SWINGLE. Certainly, sir.

Senator MILLIKIN. How would you fix the rates in the first instance?

Mr. SWINGLE. I would fix them under the procedure which has been carried on up to this point; that is, not the current law, but the previous procedure.

Senator MILLIKIN. Well, the procedure up to this point, so they say, has been to establish a peril-point.

Mr. SWINGLE. Has been to what?

Senator MILLIKIN. To establish a peril-point.

Mr. SWINGLE. I mean up to last summer, when I say "up to this point."

Senator MILLIKIN. I mean up to last summer. Theoretically they were not putting in rates which would injure American industry; which necessarily would make it proper for them to determine what those rates were.

Mr. SWINGLE. But they didn't have to determine them separately by a tariff commission. They were determined by a joint conference and joint consideration of many things, in which the Tariff Commission participated. And I would think that the result would be even better than a separate determination by the Tariff Commission.

Senator MILLIKIN. Then you are quarreling not with the peril-point but with the way in which it is reached.

Mr. SWINGLE. I am not quarreling with anything, sir, but I do not think that it is necessary to set up a peril-point in the way it is done under the present legislation. I think that certainly the amount of reduction made by the United States in any tariff agreement must be given careful consideration. You hold hearings, you hear from industry, you hold conferences between various governments, you go over and negotiate. And before they go over to negotiate, they have a base set by the President below which they are not going to go.

Senator MILLIKIN. You are aware that our last two Presidents have said that these things should be done on the basis of safeguarding American industry.

Mr. SWINGLE. Certainly.

Senator MILLIKIN. That has been supposed to be the controlling principle.

Mr. SWINGLE. Certainly.

Senator MILLIKIN. So the rates supposedly reflect that principle.

Mr. SWINGLE. I would think so.

Senator MILLIKIN. Now, let me remind you of why we put this peril-point procedure in there. Mr. Clayton and the officials of the State Department, and others, have testified that instead of safeguarding domestic industry in arriving at those rates, they were taking "calculated risks." That is why we put that in there. Because I suggest to you that "calculated risks" and "safeguarding" are, as I expressed it yesterday, antithetical terms.

Mr. SWINGLE. Well, I don't know what Mr. Clayton may have meant when he referred to "calculated risks," but I feel that up to this point, as far as I have been able to observe, there has been no serious injury proven.

Now, as far as I know there have been two or three cases under the escape clause that have been referred to the Tariff Commission. As far as I know, they have not as yet gone to the point of authorizing

an investigation. And I have seen no indication that serious injury to American industry has been brought about by anything that has been done in the trade-agreements program—up to this point. I feel that the escape clause will protect us adequately for the future, and therefore I feel that the procedure which was in effect prior to the current act is an adequate and proper procedure. And I am speaking of procedure. I cannot speak of individual actions. You make mistakes; people do make mistakes. But the procedure is what I am talking about, the way to do it, the law. Because the background of the operation, it seems to me, has been satisfactory up to the current law, and would be satisfactory if the present bill that I have referred to is enacted.

Senator MILLIKIN. I suggest to you again that the procedure was modified, because, instead of following the rule of safeguarding domestic industry, it has been stated again and again that they were taking calculated risks. Now, if your principle is to safeguard domestic industry, is it proper to take calculated risks? How do you reconcile the two?

Mr. SWINGLE. I feel that the present law, sir, with the escape clause, is the proper procedural operation on which to carry this thing forward.

Senator MILLIKIN. All right. That is what you think. But tell me, then, what are the criteria on which you make the rate in the first instance?

Mr. SWINGLE. The criteria on which the rate is made in the first instance are arrived at by hearings, in which industry has a right to appear and everyone has a right to appear. That information is then utilized to set a figure, whereupon a recommendation is made by the trade-agreements committee to the President, and the rate is set.

Senator MILLIKIN. In compliance with what standard?

Mr. SWINGLE. In compliance with the standard as outlined. In the first place, there is a minimum set by Congress as far as the base is concerned. You are familiar with that.

Senator MILLIKIN. Yes.

Mr. SWINGLE. Now, the other is done in line to produce the effects necessary under this act. There is no set specific standard, sir; no, sir.

Senator MILLIKIN. Would you say that the test would be whether the rate will safeguard American industry?

Mr. SWINGLE. I think that is pretty well understood.

Senator MILLIKIN. Well, then, that leads you to precisely the same thing that you are complaining about.

Now let me tell you how they qualify that safeguarding test. Maybe you will want to modify your position.

Mr. Thorp said yesterday—and this is of a piece with similar testimony in different words that we have gotten from other State Department witnesses—

> The determinations by the Commission are to be made without regard to any national or international considerations.

Now, mind you, we have this basic safeguarding test.

Mr. SWINGLE. You are speaking now, sir, of the present law?

Senator MILLIKIN. No, no.

Mr. SWINGLE. I mean Mr. Thorp was.

Senator MILLIKIN. I am speaking of the way they did it before, and the way they would like to do it again.

Mr. SWINGLE. Mr. Thorp is referring to the present method, is he not?

Senator MILLIKIN. No, he is criticizing the present method. And this the ground of his criticism.

Mr. SWINGLE. I see.

Senator MILLIKIN. I quote:

The determinations by the Commission are to be made without regard to any national or international considerations.

In other words, if it has any sense in it, your safeguarding test should be modified, or mitigated or influenced by "national or international considerations, such as benefits to be obtained from other countries." In other words, the safeguarding test, so far as domestic industry is concerned, should be modified by exporting interests.

The safeguarding tests should be modified or considered in connevtion with 'long-term needs of our economy for expanding markets." That, I take it, means expanding import markets and expanding export markets. But in considering your safeguarding tests for the individual industry, I have named you now three or four things that they use to dilute the test.

What are these others?

* * * the necessity of obtaining the best possible use of domestic resources—

Now, that is a pretty big subject. That is a very big subject.

* * * including consideration of conservation, possible strategic considerations, and the possible repercussions of our actions upon policies of other countries towards us.

In other words, the whole diplomatic field.

It is precisely because of that theory, similarly expressed in different words by other witnesses, that we put this safeguarding peril point into the hands of the Tariff Commission, so that it could be brought to the attention of the President in focused form, rather than diluted and rendered meaningless by all of these other considerations.

Do you favor all this other stuff being considered?

Mr. SWINGLE. I have not studied that, sir, and I don't now place the same interpretation on it. I think what is referred to there is a little bit different from the peril point that I referred to as a specific domestic investigation. I think what he is talking about there, as I would judge, without reading the whole testimony, is how they arrived at their final negotiating point.

Senator MILLIKIN. No, I have stated it to you, and I can make it clear to you, if you want me to read the whole record, that he is criticizing the peril point theory of the present law, because the peril point theory does not take these things into consideration. That is his point.

Mr. SWINGLE. Well, I think the final rate which may be utilized by the United States in the trade agreement must take into consideration a lot of the things that you have mentioned, sir.

Senator MILLIKIN. Then the safeguarding principle which the Congress last year said should be absolute, you would mitigate and modify and possibly dilute by the consideration of these other things; just as the State Department argued. Correct?

Mr. SWINGLE. You must take this thing on a national basis and not on a too restricted basis, sir. I think that the security, the economy of

the country, must be considered in all of these things, rather than too limited a consideration on any particular point.

Senator MILLIKIN. All right. Now let us carry that to the next step. Let us assume that you are right, for the purpose of discussion. The President can take all of those things into consideration when he decides whether he will or will not adhere to the recommendation of the Tariff Commission. And if he has an overriding national interest which he does not think has been protected by the recommendation of the Tariff Commission, he need not accept its recommendation. And all he has to do is to make a simple explanation of why he did it.

Now what is your objection to that?

Mr. SWINGLE. Well, you have simplified the last part of it quite a lot to me. As I recall the present law, he has to make a detailed report to Congress, with the explanation of why he did it. I think the Tariff Commission has to present to the Ways and Means Committee, and I think also to this committee a detailed report on all the points. Then it is entirely up to Congress, in their judgment, as to what they may do. And that sometimes takes quite some time.

Senator MILLIKIN. No, the Congress has nothing to do with it except to receive the President's explanation of why he went below the peril point. That is all the Congress has to do with it. The matter is not subjected to the judgment of Congress. All Congress receives is the President's explanation, which he can make as long or as short or as detailed or as undetailed as he wishes, and in which he can reflect all of these national interests, all of these conservation problems, all of these other things. Now, if there is a national interest that should be protected, why in the name of goodness should the President shiver about making it known to the people? Or about making it known to the Congress, whose agent he is in this matter?

Mr. SWINGLE. I think that probably, Senator, you may be leading up to another subject, which I know you are very much interested in. And I would not be able to comment about the release of information, and so on.

Senator MILLIKIN. Oh, do not anticipate me. I did not mean that at all. But you have given me a good reminder.

Mr. SWINGLE. I like to be helpful.

Senator MILLIKIN. Let us take this statement we are talking about. The President does not have to accept the peril point. He can go below it. All he has to do is to make a statement, brief or lengthy, involved or uninvolved, detailed or undetailed, to Congress as to why he did it. When he makes that statement he has available to him all of these grounds that have been mentioned by Mr. Thorp and others, or any that his own imagination will dictate. Why should he not make that statement?

Mr. SWINGLE. Well, he could make it if he wanted to anyway, could he not?

Senator MILLIKIN. Why, of course he could. But apparently he does not want to.

What is your objection to that? I would like to have some citizen stand up and state his objection to that.

Mr. SWINGLE. To the President making that known?

Senator MILLIKIN. To the President making an explanation to Congress as to why he goes below a peril point.

Mr. SWINGLE. Well, in the first place, I go back a little bit behind that, Senator. I have talked about the determination of these peril points.

Now, the last thing, as I understand it, that you were speaking about, was why the President, in the over-all, shouldn't announce to the people why certain rates are in existence under an agreement. That is about what it amounts to.

Senator MILLIKIN. No, that is not the question at all. Our law concerns itself only at those places where the President goes below a peril point, and it says, "In that kind of a case, Mr. President, tell us why you did it." That is all. What possible objection can there be to it?

Mr. SWINGLE. Well, I would have to study that a little more thoroughly before I would make an answer.

Senator MILLIKIN. You make a study, and send us in a written statement of why the President, who is the agent of Congress in this matter, should not give the Congress that simple explanation, which leaves all of his own powers undisturbed.

Mr. SWINGLE. You mean merely on the latter part of this? I will be very glad to try to do that, sir.

Senator MILLIKIN. You are not having any more difficulty with that than any other witness. So be consoled.

Mr. SWINGLE. All right. I will attempt to do what you desire, sir.

Senator MILLIKIN. The other points in your statement that I have marked were covered rather fully in questions and answers yesterday, so in the interests of saving time, I shall not go into them.

The CHAIRMAN. Any questions, Senator Butler?

Senator BUTLER. I was going to ask Mr. Swingle as to the number of members in his organization.

What membership do you have, Mr. Swingle?

Mr. SWINGLE. About a thousand, sir, on a national basis including affiliated companies.

Senator BUTLER. You mentioned several categories from which they come.

Mr. SWINGLE. Yes, sir. That is by example; not by limitation. In other words, the members of the council are American companies who are primarily and actively interested in American foreign trade, either export or import, or American development abroad, or communications, or transportation, or something directly connected with foreign trade.

Senator BUTLER. I would not ask that it be put into the record, but I wonder if you would be willing to make available a list of the membership.

Mr. SWINGLE. Why, surely. I hope it will not be put into the record unless you so prefer.

Senator BUTLER. No, just for our information.

Senator MILLIKIN. The bulk of the membership is made up of shipping and related interests?

Mr. SWINGLE. Mostly manufacturers, sir, and exporters, and people who are interested in foreign trade and American investments abroad.

Senator MILLIKIN. Shipping companies?

Mr. SWINGLE. Shipping companies; yes, sir.

Senator MILLIKIN. Insurance brokers as to shipping?

Mr. SWINGLE. Yes, sir.

Senator MILLIKIN. Warehouses and banks?
Mr. SWINGLE. Banks; yes, sir.
Senator MILLIKIN. Insurance?
Mr. SWINGLE. Yes.
Senator BREWSTER. But as I gather, you do recognize an obligation to domestic industries not to be unnecessarily sacrificed or crucified in order to promote your exports.
Mr. SWINGLE. Oh, yes, sir. I say so in my formal statement, Senator.
Senator BREWSTER. I gathered that from your statement. And it is only a question of how that shall be most effectually accomplished.
Mr. SWINGLE. Yes, sir.
Senator BREWSTER. And you feel that the escape clause affords adequate protection?
Mr. SWINGLE. Yes, sir.
Senator BREWSTER. So that you do not need the peril point determination.
Mr. SWINGLE. That is my position.
Senator BREWSTER. In the process of manufacture, time, of course, is required. What is the average time involved, in the industries which you represent, between the start of production, the placing of orders, and the actual delivery of the goods, roughly?
Mr. SWINGLE. In view of the wide range of the industry, I could not answer that question, sir; because it would range from goods shipped out of stock to goods which might take 2, 3, 4, or 5 years to manufacture.
Senator BREWSTER. But there is normally a rather appreciable period between the development of the trade and its actual realization.
Mr. SWINGLE. Not necessarily. It depends upon the commodity.
Senator BREWSTER. I did not say necessarily; I am asking you whether or not there is not normally a certain time lag.
Mr. SWINGLE. It depends.
Senator BREWSTER. Of course, it depends.
Mr. SWINGLE. Generally?
Senator BREWSTER. Yes.
Mr. SWINGLE. I wouldn't be able to say, generally, that there is a large time lag.
Senator BREWSTER. Well, what do you mean by "large"?
Mr. SWINGLE. Six months or a year.
Senator BREWSTER. That is, you would think that 3 to 6 months might be an average?
Mr. SWINGLE. I couldn't give you a figure on that, sir.
Senator BREWSTER. Well, you recognize that in many instances there is a time lag.
Mr. SWINGLE. In certain instances, certainly. Many, yes. It depends upon the commodity, sir.
Senator BREWSTER. Yes, of course. It depends on that.
What I am directing this to is the point of your statement that you knew of no industry that had been injured in this country; and you follow those things rather closely, I assume.
Mr. SWINGLE. I have made no detailed study, but my statement was that as far as I know there has been no proof that any industry has been seriously injured by the trade-agreement program up to this point.

Senator BREWSTER. Yes; now, during the 14 years that this program has been in effect, were the economic conditions of the world such as to make it likely that we would have that impact?

Mr. SWINGLE. That might have occurred; yes, sir. It depends. Generally speaking, they were disturbed; which I think was your point.

Senator BREWSTER. In the first 6 or 8 years we had the depression, not only in this country but in the world. We were not buying much or selling much, and the rest of the world was not either. That is correct, is it not?

Mr. SWINGLE. Yes.

Senator BREWSTER. So that whether or not the reduction of these duties would have a serious impact would not really test it.

Mr. SWINGLE. I think that is a fair statement: that in general over the period they have not been tested as much as they might have been under normal conditions. Of course, imports might have had an impact before the war; there was a period in there where you could do some judging.

Senator BREWSTER. Well, is it not true that the two have always been closely related; that is, that economic prosperity in this country has been related to both high exports and imports, and vice versa?

Mr. SWINGLE. It has certainly been related to imports; because as our turn-over goes up, we have had a fairly continuing relationship, certainly on raw materials, depending on our industrial turn-over. Incidentally, at the present time it is low from the standpoint of the relationship over a period of years.

Senator BREWSTER. You mean the ratio?

Mr. SWINGLE. Yes.

Senator BREWSTER. That is somewhat related to the 39,000,000,000 we have distributed abroad in the last 3 years, is it not?

Mr. SWINGLE. It is related in my opinion to the lack of production abroad in many of these areas.

Senator BREWSTER. Well, what are the figures on the production in Europe, for instance, now?

Mr. SWINGLE. Oh, I couln't give you that.

Senator BREWSTER. Well, would that not be a matter of interest?

Mr. SWINGLE. In Europe; but I am speaking of imports from the whole world, sir.

Senator BREWSTER. We had the evidence here yesterday that outside of western Germany the European countries are now from 18 to 25 percent above their prewar production. So that production is coming back pretty well.

But coming back to the other point, the first 6 or 8 years of the program were years of world-wide depression. The next 6 to 8 years were years of world-wide war. Both of those conditions operated as most effective barriers against the development of our import trade, did they not?

Mr. SWINGLE. They had an effect on it, certainly.

Senator BREWSTER. A very decided effect. Now, also, the world-wide inflation has been characteristic of this era, both here and abroad.

Mr. SWINGLE. During parts of it, yes, sir.

Senator BREWSTER. And that has tended to remove the significance of our protection, has it not, when it was fixed in specific rates as against percentage rates?

Mr. SWINGLE. You mean inflation abroad, sir?

Senator BREWSTER. Well, inflation here at home. The world-wide lift in prices has removed some of the significance of specific rates, has it not?

Mr. SWINGLE. It has, provided that the inflation and the increase in cost which goes with it, is considered in that relationship. You cannot just make a categorical statement that because of inflation certain effects take place, because the price of goods may go up along with it. The relationship would have to be studied.

Senator BREWSTER. Coming down to the more recent period, as we approach what we hope is some degree of normalcy, let us consider western Europe. That is, I suppose, the most highly industrialized area of the world outside the United States, is it not?

Mr. SWINGLE. Yes, sir.

Senator BREWSTER. With that area back at 18 to 25 percent above prewar production, it does mean that pretty soon we are going to have these, let us say, peril points tested, are we not?

Mr. SWINGLE. Possibly. It is not a necesary conclusion, sir, as I see it.

Senator BREWSTER. Of course, there are large areas of the world that are seeking goods, but they have no money to pay for them. The one thing in the world everyone wants is American dollars.

Mr. SWINGLE. Quite right.

Senator BREWSTER. So that if European countries were able to export here advantageously, and secure American dollars, you would recognize very broad economic factors that would operate in that direction, would you not?

Mr. SWINGLE. I think if they could, it would be beneficial, because it would give them more dollars.

Senator BREWSTER. Yes. You would rather welcome that approach.

Mr. SWINGLE. The imports? Certainly, sir. I think that would be good.

Senator BREWSTER. That is right. So you are very happy, as you contemplate the $7,000,000,000 of imports that we had last year.

Mr. SWINGLE. I would like to see it more than that.

Senator BREWSTER Yes; but you still insist that if it began to have an impact on American industry, you would then begin to be a little concerned.

Mr. SWINGLE. If it had a serious impact.

Senator BREWSTER. Yes.

Mr. SWINGLE. It has an impact.

Senator BREWSTER. Yes. Does that present any problem as to the relative evaluation of an export or an import industry?

Mr. SWINGLE. What was your question again? I must have missed it.

Senator BREWSTER. Does your determination have any relation to evaluating the relative value of an export or an import industry?

Mr. SWINGLE. You mean that I welcome imports?

Senator BREWSTER. If they stimulate exports.

Mr. SWINGLE. If they stimulate exports, that is healthful. But imports themselves we need in our economy. That is, I think, recognized.

Senator BREWSTER. This comes, of course, to these other considerations which you suggest, such as the matter of how far you would be

disposed to sacrifice any particular American industry in the interest of developing more export trade on the part of other industries in the United States.

Mr. SWINGLE. Well, it wouldn't only be on that, sir; it might be on the necessity for the import in connection with the preservation of our resources, or a lot of things. There might be a determination on the import factor alone, the relation of an import to the domestic economy, without any direct relationship between that and an export movement.

Senator BREWSTER. Now, how soon would you anticipate that the effect of any impact, such as we have been discussing, might cause a serious injury? What would be your estimate of time on that?

Mr. SWINGLE. I would have no estimate of time, sir. It would depend, again, sir, on the specific case involved. I think any generalization on that might be dangerous.

Senator BREWSTER. We had an illustration which has been in the papers pretty much in the last few weeks about the gloves from Japan that were offered here at $2.70 a dozen, which gave great concern to our glove manufacturers. That was only an offer; presumably a responsible one, because the economy is under American control.

Let us assume that 3 to 6 months would be required to realize those imports, if they were firm offers. What would be the effect on the American glove industry in the meanwhile, if that hung over the market?

Mr. SWINGLE. Well, while it was hanging over the market there would certainly be uncertainty. But the ultimate thing, to determine the serious effect, which is what we are really considering, is that you would have to know the amount of the import, what percentage it was, whether it was a temporary thing, or a permanent thing; all of those things would have to be taken into consideration.

Senator BREWSTER. Let us assume that it was in a prospective volume that might be very serious to American employment. Let us assume that for the moment, for the purposes of the discussion.

Mr. SWINGLE. Yes.

Senator BREWSTER. Now, in what way would that be checked by your theory of the escape clause?

Mr. SWINGLE. The theory on that, as I understand it, would be that certainly the industry would be alerted to the situation, and would have undertaken many of the basic investigations that the Senator has referred to.

Senator BREWSTER. Just how would they go about that?

Mr. SWINGLE. How would they investigate the impact?

Senator BREWSTER. How would they go about it, yes. I mean, from a Government standpoint.

Mr. SWINGLE. I am not talking about the Government; I am talking about the industry.

Senator BREWSTER. The industry. They are already alarmed. We have had representation as to their concern. Now, what can they do about it?

Mr. SWINGLE. Well, as to that situation, I do not know about Japan. I will have to talk in generalities, here.

Senator BREWSTER. I think they come under our trade agreement. We still have a trade agreement with Japan. They have the full rights and privileges of a nation, as Germany does also.

Mr. SWINGLE. I am not too sure on that, sir.

Senator BREWSTER. Well, will you verify that?

Mr. SWINGLE. I don't think we have a trade agreement with Japan, but I may be wrong. I would have to check that.

Senator BREWSTER. Is there somebody here who can answer that? Some members of the Tariff Commission?

Mr. MARTIN (E. G. Martin, general counsel, United States Tariff Commission). Senator, I don't believe we have any obligation to extend trade agreement rates to Japan. But we do it, as a matter of practice. And the same is true as to imports with respect to Germany.

Mr. SWINGLE. I don't think we have a trade agreement, though.

Mr. MARTIN. No.

Senator BREWSTER. But they come under the most-favored-nation clause?

Mr. MARTIN. The most-favored-nation clause of the Trade Agreements Act.

Senator BREWSTER. So that at the present time both Germany and Japan do come in under the most-favored-nation rates.

Mr. MARTIN. That is right, yes, sir.

Senator BREWSTER. Now, resuming: The glove manufacturers are concerned about this offer, which would presumably be 3 to 6 months in delivery if it were effectuated. What does the glove manufacturer do meanwhile?

Mr. SWINGLE. As I understand it, he certainly would be down here in Washington, as he probably has been, going to the Tariff Commission and to the State Department, and every place, in order to arouse their interest.

Senator BREWSTER. He is doing that. All right.

Mr. SWINGLE. And requesting them to look things up. I am not familiar with this case, sir.

Senator BREWSTER. You are familiar with the general provisions of the law.

Mr. SWINGLE. That is what I think those manufacturers would do. They would be down here. They would be talking to you gentlemen.

Senator BREWSTER. Well, they are.

Mr. SWINGLE. In other words, the threat of this would be fairly well known not only in Congress, but in the administration circles.

Senator BREWSTER. Now let us go into the actual realization of the protection which they seek.

Mr. SWINGLE. The Tariff Commission, as I understand it, in this specific case, would have to make the determination as to whether they would have a preliminary investigation.

Senator BREWSTER. What would they base that on?

Mr. SWINGLE. They would have to base that on the imports. I am assuming an application has been made.

Senator BREWSTER. They would have to base that on an import?

Mr. SWINGLE. Here is what it says: That there has been "an increase in the quantity of imports."

Senator BREWSTER. Is that the law, or the Executive order?

Mr. SWINGLE. That is the procedure and criteria reported to the Ways and Means Committee last year.

Senator BREWSTER. So that they would have to base their determination on the actual arrival of the imports.

Mr. SWINGLE. It says "increase in the quantity of imports."

Senator BREWSTER. Yes.

Mr. SWINGLE. And I would not be in a position, sir, not being a lawyer or a member of the Tariff Commission, to know whether they can interpret that wording, "increase in the quantity" to mean a possible consideration, or an actual movement. I would not want to go into a detailed analysis of those particular words.

Senator BREWSTER. You are appearing here as an expert in this matter, and you are looking after American industry, and I would think that in your solicitude, you would perhaps have explored that.

Mr. SWINGLE. I would think it would be possible under this wording here for the Tariff Commission to undertake a sympathetic and interested investigation of this, in order to be ready, if anything happened, to go through proper procedures.

Senator BREWSTER. You will be interested to know that you are 100 percent wrong. I am a little surprised that you have not found it out before, in view of the solicitude which you expressed. The Executive order makes it clear that the actual arrival of the imports is essential in order for any such proceeding to go forward.

Mr. SWINGLE. Well, that would be a technical point.

Senator BREWSTER. It is not very technical to the people who are going to be out of jobs in an industry for from 5 to 10 months, first while the imports are arriving and second while the investigation is proceeding. A fellow cannot live on nothing for a year.

Mr. SWINGLE. That is right.

Senator BREWSTER. You understand that.

Mr. SWINGLE. Certainly.

Senator BREWSTER. Now, that is the difference between your proposal and ours. You say, "Let the fellow starve for a year, and at the end of that time maybe something will happen." We say that the President at least should be entitled to a scientific determination in the matter. And it is very astounding to have you, who have always advocated the scientific view on tariffs, seeking a purely political decision.

Mr. SWINGLE. Oh, sir, I certainly have not indicated, and would not intend to indicate, that I want this thing to be postponed for a year, or anything of that kind.

Senator BREWSTER. All right. Show me how it would not be. I am now assuming that you, in entire good faith, are disturbed to discover that at least a year, in all likelihood, must elapse in any of these cases, to get relief.

The CHAIRMAN. Are you not also assuming that there is going to be some extraordinary amount of gloves sent in from Japan?

Senator BREWSTER. It is a hypothetical case, purely hypothetical. But I have one or two others, that are not hypothetical, that I am leading up to.

Mr. SWINGLE. I would like to read this, if I may, in answer to your question. I am reading from this report, here.

Senator BREWSTER. What is it?

Mr. SWINGLE. This is entitled "Procedure and Criteria With Respect to the Administration of the 'Escape Clause' in Trade Agreements." It is from the report to the Ways and Means Committee. It is in the record of last year, incidentally:

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.

That is the end of the quotation and is what I referred to in response to the question from Senator Millikin: that the President could move without going through 22 nations, if necessary.

Senator MILLIKIN. Senator Brewster, if I might suggest this, it might be well to ask him to read the rest, to show what the subsequent procedures are that the President of this country would have to go through.

Senator BREWSTER. Very well.

Mr. SWINGLE. Do you want me to read this whole document, sir? It is in the record of the committee for last year. It is a communication from the Tariff Commission to the Ways and Means Committee of February 1948.

Senator MILLIKIN. May I summarize?

The end point is not to be found there, with that precipitous escape. That merely starts the whole machinery going, under what you are reading, there.

Mr. SWINGLE. Quite right, sir. I didn't say it ended there.

Senator BREWSTER. I have a summary of the procedures under the escape clause. I wonder whether that is in the record.

The CHAIRMAN. It is in the record.

Senator BREWSTER. I think a reading of a portion of that at this point would be justified.

Objective consideration of the procedures under the escape clause leads one to the conclusion that domestic producers are justified in their fear that the escape clause will not provide adequate relief.

They then go on to enumerate the various steps which must be taken, first in the application to the Commission, then the preliminary investigation, then the formal investigation and public hearing with 30 days' notice, then a careful study and analysis of the available information, and report to the President, and then, after the report to the President, the examination through his office, with the various other departments and agencies concerned.

Now, all of this is predicated on the arrival of the imports; and under the hypothetical case which I stated, they would not actually arrive for some months. Meanwhile, the glove industry is faced with not only a threat but an actual absence of orders which makes it impossible to continue their employment.

Mr. SWINGLE. In answer to your question, I believe that the Tariff Commission could certainly make preliminary investigations and thorough investigations on the situation which you have outlined. I mean, there is nothing to prevent them from doing this.

Senator BREWSTER. But they can never make a finding until the imports arrive.

Mr. SWINGLE. I would like to study that further, before going into that.

Senator BREWSTER. If you find exceptions to that, I wish you would let me know.

Mr. SWINGLE. And if that were the case, they would be entirely ready to go through this further procedure upon the arrival of the imports.

From there on they could speed it up, if it was getting to be a matter of serious damage to the industry.

Senator BREWSTER. I would refer you to page 457 of the hearings before the House committee. I will not go into them further here, but I think you will find a very interesting explanation and exposition of the problems that are presented in this very situation and why the escape clause is difficult.

Now I want to come to a very specific case, one which rather concerns us up in New England, and that is the woolen industry. Have you followed that situation, as to the impact on the woolen industry?

Mr. SWINGLE. No, sir; I have not, not in detail.

Senator BREWSTER. Well, for one thing, our exports of woolens and worsteds have declined from the year 1947, when they were $39,353,000, which is quite substantial, and represents a very satisfactory amount of employment to $12,799,000 in 1948. That is a loss of approximately 60 to 75 percent, from $40,000,000 down to $12,000,000. So that we obviously are losing our export market, for one reason or another.

Mr. SWINGLE. Is that for the country, sir?

Senator BREWSTER. That is for the country. I have these figures from the Tariff Commission.

Now, that, to you, who are interested in export trade, is a matter of concern, I assume. Do you have any woolen manufacturers in your organization?

Mr. SWINGLE. To the best of my recollection, we do have some. We have some who are interested in woolen exports.

Senator BREWSTER. That is a decline, you see, of approximately $30,000,000 from the 1947 figure. So our export business is not doing so well.

Now let us come to the import situation, and to the employment situation. Have you followed the figures on woolen imports?

Mr. SWINGLE. No, sir; not specifically.

Senator BREWSTER. Have you had the figures on woolen-mill employment?

Mr. SWINGLE. No, sir.

Senator BREWSTER. I was very much startled when I read in the United States News this week that woolen mill employment as of now is down 50 percent. I do not know what that figure was based on. I do not have the basis of their figures. But I think you would recognize them as a fairly responsible statistical organization. And that was their figure for the current period.

We do, however, know that it is a matter that is very critical in the New England area, and I think in other areas as well, such as Pennsylvania, probably.

These are the actual figures, which I have before me, for the monthly imports of woolens and worsteds in 1947 and 1948, by month. The interesting and, as it seems to me, significant figures are that during that period our imports have doubled, from an average of 207,000 pounds a month during 1947 to an average of 392,000 pounds during 1948, making a total increase of approximately 100 percent, or 2,400,000 pounds increase for the year in the imports of the worsteds and woolen goods. That, of course, as I think you would agree, is quite a substantial increase in the situation.

Now, what happens with our employment? Our employment went along in 1947 at about normal, 170,000. That was the average, starting at 180,000 and varying somewhat during the months, but ending up at approximately the same. So the average was approximately 170,000.

For 1948, we started in the year with 177,000 employees. We went along for the first 6 or 8 months quite normally. Suddenly, in the last 4 months of 1948, we started a very sharp decline, which threw out of employment in that rather small industry, as it is, in this country, 20,000 out of the 177,000 employees, in 4 months. If the United States News is correct, that has gone even more sharply down in the month and a half that has succeeded. We ended the year with 156,000 employees instead of the 177,000 with which we started the year. In other words, there were 20,000 employees in the woolen and worsted industry who were out of employment at the end of the year; and if all our reports are correct, the figures are very much larger now.

It seems to me, at any rate, a perfect illustration of this gradual impact of the imports. With the loss of our export market, and the increase of the imports, here, we find men walking the streets.

Undoubtedly, the woolen and worsted industry is concerned, but it is obvious that it has only been within 3 to 4 months that the real impact has arrived. Now, how soon would you estimate from your very considerable experience that they might expect to get sympathetic and active consideration of the protection which it would look as though they needed?

Mr. SWINGLE. Well, you are going on the assumption that this unemployment, which is serious——

Senator BREWSTER. Of course it is. We will agree that it is serious.

Mr. SWINGLE. Why, certainly.

Senator BREWSTER. It includes from 20 to 50 thousand men.

Mr. SWINGLE. You are going on the assumption that it is due entirely to some tariff rate under the trade agreement program.

Senator BREWSTER. I asked you whether it did not at least invite very serious attention.

Mr. SWINGLE. Unquestionably.

Senator BREWSTER. How long would it take to secure relief, assuming it should be found eventually that this unemployment was a result of the impact of these imports? How long would you estimate the escape clause procedure would require?

Mr. SWINGLE. I couldn't estimate a figure. I have discussed that with Senator Millikin. I think it varies. And if the situation is serious, I do not think it would take as long as may have been indicated. I think that we could proceed fast enough, in order that the impact specifically of any reduced rate in the trade agreement program upon this labor situation would not be delayed sufficiently to seriously damage employment. That is my feeling, sir. I can't prove it, and I don't know that you can prove it either way.

Senator BREWSTER. Do you think your optimism is generated at all by your other interests?

Mr. SWINGLE. I would not think so. My optimism is based on my opinion of how this thing can work.

Senator BREWSTER. Can you show us any instance of how this escape clause has operated?

Mr. SWINGLE. As far as I know there have been no approvals by the Tariff Commission of requests for preliminary investigations. I don't think they have ever had an investigation.

Senator BREWSTER. That is very true. How many applications have they had?

Mr. SWINGLE. As far as I know, just two or three or four.

Senator BREWSTER. It was four; of which two were dismissed and one is still pending. And as to one of those cases, of which I have special knowledge, I think if you attend these hearings, you will be convinced that the claims of the parties were fully warranted. That is a rather minor business, but rather important in our State. It is the clothes-pin business.

Mr. SWINGLE. In connection with those other figures that you mention, sir, I think, just to give the whole picture, that, as no doubt you realize, some of this unemployment may be due to loss of export markets; this unemployment which you speak of in the woolen industry.

Senator BREWSTER. Uundoubtedly.

Mr. SWINGLE. Some of the unemployment may be due to reduced purchasing power in the domestic field. So my point is that you just can't attribute it all to this.

Senator BREWSTER. The only thing the fellow up in Dexter, Maine, knows is that he does not have a job. And it is a long, cold winter.

Mr. SWINGLE. That is quite true. And I have great sympathy for him. I like Maine; and I don't think he ought to be out of a job. But I feel he should not simply blame the trade-agreements program for his situation. There are many factors in addition to the rate.

Senator BREWSTER. What are the other factors?

Mr. SWINGLE. I have mentioned one or two: loss of export markets, loss of domestic markets, pricing, consumers buying different things.

Senator BREWSTER. Wait a minute. About the loss of domestic markets: Do you think the doubling of the foreign imports would have anything to do with his loss of domestic markets?

Mr. SWINGLE. It might or might not. I don't know whether the goods imported are competitive with the goods manufactured in this particular industry or not. I meant the over-all decrease in purchasing.

Senator BREWSTER. I am sure you would agree that doubling the imports of foreign woolens would have some impact on the domestic market, would you not?

Mr. SWINGLE. Provided they are imports of competitive goods, which you speak of. If they were goods which are not necessarily or entirely competitive, or the same kind of goods, I don't know. They have to be balanced off. You can have one quality here and another quality there. You have to take a complete survey and analysis of the industry to come out with an examination.

Senator BREWSTER. You only wear one pair of pants at a time, whether they are foreign or domestic. And the result is that with a certain limitation it is pretty hard to persuade the great number of people who are experienced in this recession picture that the increase in the volume of our imports to an all-time high of $7,000,000,000 does not have an impact on our domestic market. I do not think you would seriously argue that it did not have an impact, would you?

Mr. SWINGLE. It has an impact. But I agree with you that it is very difficult to have those people realize that it is not all due to imports; very difficult.

Senator BREWSTER. Well, that is what is making, apparently, a wider and wider appeal to many labor groups. I have heard more from them in the last 2 or 3 months than I have heard in the last 15 years, about this situation. They are beginning to recognize the problem.

Mr. SWINGLE. But as I say, it is very difficult for them to take, and you couldn't possibly expect them to take, an over-all consideration and know all the facts. It is difficult. I have done a little bit of trying to explain this myself, in my humble way, from time to time.

Senator BREWSTER. And you find great difficulty?

Mr. SWINGLE. I find it very difficult to get them to realize it.

Senator BREWSTER. I think that is a very fair way to leave the matter.

Senator MILLIKIN. Senator Brewster, would you let me make one observation?

Even if you got the escape on wool, the effect is merely to transfer the unemployment to some other field; because the other countries will take compensating escapes which, roughly speaking, would probably involve the same amount of labor.

Senator BREWSTER. If they were as prudent as we.

Senator MILLIKIN. Yes.

Senator BREWSTER. Which they probably are.

In the clothes-pin case, which we will have up here, if you are familiar with that, they switched all the export to Mexico at one time, for 1 year, and the tariff rate was reduced from 20 cents to 10, and then to 5. And they can easily wipe that industry out within this year if they proceed.

Now, whether it is worth while sacrificing an industry of that character for what other advantages of a national or international nature would ensue may be argued. But, as you frankly admit, it is rather difficult to argue that with the fellow who loses his job.

Mr. SWINGLE. Oh, it is. And, in that case, I think it would be very difficult for the Tariff Commission to even set a peril point which would take care of this switch which you mention. I mean, that might take place after a peril point had been determined, and you would have to go through a procedure to protect American industry. Those things sometime happen.

Senator BREWSTER. I think the figures are fairly clear, as to that. And there is an application pending on that right now, and has been for some time. It is serving as a very good laboratory case, although, perhaps you might feel, in miniature, of the difficulties of this procedure.

Mr. SWINGLE. You see, my point is that in this particular case, sir, you might have had to go through an escape clause because the peril point determined by the Tariff Commissoin might not have taken into consideration this switch to Mexico. Therefore, you would have to go through some kind of investigation to protect the industry on that fact, and not on the situation which existed previously. I think they are flexible. That is why I say that I like this idea of taking facts and actual developments, rather than relying on a peril point, which

might not take into consideration something which nobody knew about. Then you would have a peril point which wouldn't be realistic.

Senator BREWSTER. The peril point simply provides an additional safeguard; and a very necessary one, as many of us feel. The procedures of the escape clause still remain, and all the other activities.

That is all I have.

The CHAIRMAN. Do you have any questions, Senator Martin?

Senator MARTIN. How many members do you say you have, Mr. Swingle?

Mr. SWINGLE. About a thousand, sir, with affiliated companies. That is not exact of course.

Senator MARTIN. How many States do they cover, sir?

Mr. SWINGLE. They are located all over the United States.

Senator MARTIN. Do you have a staff which studies economic conditions, or are you just principally interested in the free flow of trade?

Mr. SWINGLE. We do some studies of economic conditions. My associate, here, Mr. Hitchens, makes some studies, and others make studies on that situation.

Senator MARTIN. Senator Brewster has gone into the matter of the woolen industry in a very intelligent way. Have you folks given any consideration to the glass industry?

Mr. SWINGLE. The investigations that we have made have been, as I think you intimated, largely on the over-all rather than specific cases. Because, if we wanted the details, we would go to the Tariff Commission; we wouldn't duplicate their work. We would go to other agencies familiar with that, and we would be able to get any necessary information to wasn't confidential.

Senator MARTIN. With me, Mr. Chairman, if this organization was studying the thing from an economic standpoint, and from the standpoint of how it affected American employment, it would have more weight than if it was just an organization to keep up the easy flow of trade among the different nations of the world.

That is all very necessary, and I am very much for that; but, on the other hand, the basis of American economy is to have our people gainfully employed.

Mr. SWINGLE. I would not want you to have the impression, sir, that we limit our interests merely to the flow of trade back and forth between the United States and other countries. We are interested in a prosperous America and a prosperous foreign trade. And we are interested in the over-all consideration and effect.

Senator MARTIN. What do your studies, then, indicate, relative to the woolen industry, as to whether or not we can expect a revival of it in America, so that these men that are now nonemployed may be employed?

Mr. SWINGLE. The effect of our studies has not been, generally, in specific industry categories. The studies have taken together the glass and the wool and other things, and added them all up. And we get a feeling and an opinion from that which affects our position on the whole economy of the United States. I mean, we are interested in the whole picture, and not in detailed investigations of industries; which I think is a fair consideration.

Senator BREWSTER. If the Senator is interested, I have a report of the Tariff Commission, here, on the glass situation, pointing out that

the flat-glass branches of the industry have been operating at capacity, whereas other sections, such as the tableware branches, both machine-made and hand-made, were operating at reduced rates. Six hand-made plants were down completely at the end of the year, six others were operating only half time, and many others were on reduced schedules.

Coincident with this increase in unemployment was a substantial increase in imports during the final quarter of 1948. Imports were 41 percent higher than in the corresponding period of 1947. A large part of these imports consisted of hand-made table- and artware.

Now, they go on into the pottery field, and they point out that the figures were down about 33 percent. They declined that much. And they make this note, which is very, very significant:

> When pottery imports cause unemployment, it usually lags several months behind the increase in imports.

In other words, that is just the point which I sought to make: that your unemployment follows by several months.

So you lock the barn door after the horse is out.

Senator MARTIN. I appreciate your inserting that, because I have been making a study of it. And that is the result. There are many very old pottery and hand-made glass plants that are practically completely done. And the unfortunate part is that men like that are highly skilled individuals who are so much interested in their profession that they just cannot go over and do work in some other type of industry.

Now, have you made a study of the watch industry of the United States?

Mr. SWINGLE. No, sir. I have heard a lot about it recently. There has been a good deal of testimony before the House and before this committee.

Senator MARTIN. What I am getting at is that I am very much for organizations like this, but I think with me they would have a great deal more influence if I found they were making a study of the effect of these things on our American economy. Of course, we have got to have free trade with the nations out over the world. It is better for the over-all economy of the United States. But I do not see how we can afford to let an industry like the woolen industry and the glass industry and the pottery industry be practically destroyed. Because, even in the matter of defense, the woolen industry is one of the most important ones that we have, inasmuch as it involves the clothing of our soldiers, and things like that.

So I do not want to suggest what you folks should do, but, as an individual Member of Congress, I would say that your testimony would have a great deal more weight with me if I thought you were making a study of the economy of the country. And where there are a thousand men employed in a community, that means a lot to that community. We are now talking about decentralization of things in our country; and the great strength, I think, of our country is the small industry of America. I feel all organizations like yours ought to be continuously studying such things.

I would like very much to see a list of your membership.

Senator BUTLER. I asked for that.

Senator MARTIN. I know you did, Senator. And I am not so sure but what things of that kind ought to go out to the people of the nation.

Senator BUTLER. Mr. Chairman, I would like to ask Mr. Swingle just one or two more questions.

First, I think we are all very much in agreement with the development of trade. You made the statement that the program of your organization calls for the development of the United States of America, primarily. Now, it has just been brought out by the figures read by Senator Brewster that in certain industries the imports have increased 40 percent over a certain period, and there is tremendous unemployment in that industry. When a situation of that kind develops, does your enthusiasm to develop foreign trade, imports especially, continue just as much as ever, or do you let up a little bit and try to develop an industry along some other line that is not overdone here at this time?

Mr. SWINGLE. Well, as I have stated, I think, a number of times, the imports that should be developed are those which will not seriously damage or affect our economy.

Senator BUTLER. When you find that the economy is seriously injured, in the case in question here, does your activity lessen a little bit in that respect?

Mr. SWINGLE. I think that the whole case should be investigated very carefully, and the necessary procedures and operations undertaken to prevent serious damage to American producers.

Senator BUTLER. The members of your organization would prosper, perhaps, depepending largely on the amount of foreign trade.

Mr. SWINGLE. Oh, I wouldn't say necessarily that.

Senator BUTLER. The name of your organization is the National Foreign Trade Council, and I presume you are interested in foreign trade.

Mr. SWINGLE. We are interested in the foreign-trade activities of our members, but they are not exclusively engaged in foreign trade.

Senator BREWSTER. Do you have any figures as to the volume of trade represented by your membership, both domestic and foreign?

Mr. SWINGLE. No, sir. They have never been compiled. I don't know how that could be compiled.

Senator BREWSTER. Of course, they could give it to you.

The CHAIRMAN. Are there any questions, Senator Lucas?

Senator LUCAS. I have no questions.

The CHAIRMAN. Senator Hoey?

Senator HOEY. No questions.

The CHAIRMAN. Do you have any further questions, Senator Brewster?

Senator BREWSTER. You made the point about not disclosing your membership. What is the reason that is not desirable?

Mr. SWINGLE. I just said we have not published it. We don't like our members to be solicited by anybody. We will give it on request; but, as I say, we do not publish it for general distribution.

Mr. HITCHENS (P. T. Hitchens, research director, National Foreign Trade Council). We are going to furnish it to this committee.

Mr. SWINGLE. Yes; we are going to furnish it, on Senator Butler's request, but not for the record.

Senator BREWSTER. I wondered why you did not deem it advisable.

Mr. SWINGLE. Just the matter of opinion that we feel our members might be subject to solicitation for any amount of things, as many organizations are when they publish and generally distribute a list.

It is a matter of judgment with us, sir. There is no inherent reason why we shouldn't.

Senator BREWSTER. The difficulty I have is that you are appearing here as their representative—and very properly—and it is customary for people to disclose whom they represent. You represent an association. And, naturally, the question is: Who is in the association?

Mr. SWINGLE. There is no attempt to hide that at all, sir. I merely said that we had not done it. I certainly would give any information to this committee that they want.

Senator BREWSTER. Of course, it does present this problem: that, if it should appear that some or many of your members had a dual interest, it would be quite appropriate to see to what extent their point of view might be divided. That is why I think that I should be reluctant to see you refuse to have this made available for the record.

Mr. SWINGLE. I did not refuse, sir. Senator Butler suggested that it not be on the record, and I concurred with him.

Senator BREWSTER. So that, as far as you are concerned, you would not object if it were to be made a part of the record.

Mr. SWINGLE. I can't prevent that, sir.

Senator LUCAS. We would have quite a record, Mr. Chairman, if we were to do that as to every individual who comes here representing four or five thousand people.

Senator BREWSTER. I did not contemplate that if the American Federation of Labor appeared here we would have to have a list of their membership. But this is not exactly that situation. This is a group of corporations. I do not suppose that there are any individuals concerned. It is a group of corporations who make these representations. And I am sure that they would all be happy to conform to the good American custom of showing their face.

Senator LUCAS. I am sure that is true. But it is not very customary for a group to display in the record the names of the individuals who belong, for the very reason the gentleman has suggested. I know I have tried to get lists at various times from different organizations, and they just will not give them up. Of course, we here can get them, all right. But we can do almost everything.

Senator BREWSTER. I share your views. It certainly, though, is in accordance with the good old American custom for them to indicate who they are.

Senator LUCAS. We will see, when witnesses come before the committee who are favorable to your views, what you do with those.

Senator BREWSTER. I do not think it will be necessary for me to do anything, because I have never had any particular difficulties in having all the advocates of protection fully exposed to Government view. I think some of the advocates of free trade had better take their whiskers off, too.

Mr. SWINGLE. I would like to make it clear that I am not an advocate of free trade.

Senator BREWSTER. You are down to 7 percent now. What the difference between 7 percent and nothing, in the present state of the world economy, is another matter.

The CHAIRMAN. I express the hope that we may make a little progress from this point. The witness has testified on those points; and, if there is a controversial matter involved, it might be better to withhold it for an executive session of the committee.

Mr. SWINGLE. I will be glad to furnish to the committee, sir, the list requested, but I would hope that the committee will not make it a part of the record, for the reasons which I previously expressed, as to solicitation and various other things.

The CHAIRMAN. We will determine that subsequently.

Are there further questions?

Thank you, Mr. Swingle.

Mr. SWINGLE. Thank you, sir.

The CHAIRMAN. We will now hear from Mr. Ogg.

Mr. Ogg, you are appearing for the American Farm Bureau?

STATEMENT OF W. R. OGG, ON BEHALF OF ALLAN B. KLINE, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. OGG. Yes, sir. Mr. Chairman and members of the committee, I regret very much that our President, Mr. Kline, was unable to be here today to present the views of our organization: but due to a prior engagement he is in Des Moines today attending the Farm Institute, and he asked me to appear here on his behalf and present this statement to you, if I may.

The CHAIRMAN. You have a written statement?

Mr. OGG. Yes, sir. I believe the clerk has distributed copies.

The American Farm Bureau Federation, representing a membership of 1,325,000 farm families in 45 States and Puerto Rico, believes that the United States should continue to play its part in world affairs and use its vast influence in the cause of world peace and recovery. We favor reduction of trade barriers to facilitate the operation of international trade on a sound basis. This is essential to world economic recovery, to our domestic prosperity, and to the maintenance of a lasting peace.

This matter was given careful consideration at the last annual meeting of the American Farm Bureau Federation at Atlantic City, N. J., December 14 to 16, 1948. Specific policies and recommendations concerning reciprocal trade agreements were adopted in the resolution on international trade, as follows:

> The United States has grave responsibilities in helping to formulate world policies. It must accept these responsibilities. The development of a sound foreign-trade policy is imperative. This is no longer a debtor nation. It is a creditor nation. The United States is the most productive industrial Nation the world has even known. We simply cannot return to economic isolationism and at the same time discharge our obligations. We must develop our policies accordingly.
>
> The United States has embarked upon a 5-year foreign-aid plan which provides an opportunity to get our foreign-trade house in order. During and since the war, many nations of the world, in order to meet the abnormal conditions and emergencies growing out of the war, have become enmeshed in a maze of discriminatory bilateral agreements, manipulated currencies, exchange controls, and other governmental controls over trade. This continued trend toward economic nationalism is alarming.
>
> Today nations are choosing patterns of trade and forms of government which will affect the destiny of the world for centuries to come. Once set, these patterns will be difficult to change. The vital issue is the extent to which a nation will depend upon governmental controls and regulation and the extent to which private enterprise will carry on trade. We can influence these decisions by our leadership.
>
> The United States should continue to work for the reduction of tariffs and import quotas, modification of exchange controls, elimination of discrimina-

tory practices, bilateral restrictive trade policies, cartels, and other barriers to trade, in order to facilitate expansion of international trade.

To this end, we favor the continuation and expansion of the reciprocal trade agreement program. We oppose any crippling restrictions. Sufficient flexibility should be provided in the adjustment of tariff rates in order to facilitate the development and effectuation of a sound foreign-trade policy. Safeguarding features such as the escape clause of these agreements should be maintained. We recommend consideration of, and search for, further proposals that would improve the scientific approach to tariff revision, so that this program can make its maximum contribution to the development of world trade, but not at the sole expense of the domestic producers of either raw materials or manufactured articles.

Since the end of World War II, the United States has expended more than 25 billions of dollars to help bring about world reconstruction and recovery. Last year Congress enacted the Foreign Economic Assistance Act through which the United States is cooperating with 16 nations in a 5-year economic program, popularly known as the Marshall plan. Our organization has supported the United States policy in these undertakings.

The basic objective of the European recovery program is to assist cooperating countries to attain economic recovery on a self-supporting basis by 1952.

The reduction of trade barriers is a vital part of this program and is essential for its success. Congress recognized this by including in this act a requirement that all operating countries, as a condition of receiving financial assistance from the United States must cooperate in reducing barriers to trade between themselves and also between them and the United States. In fairness, the United States must likewise cooperate in reducing its barriers to trade, so as to facilitate the restoration and expansion of trade on a self-sustaining basis.

This is in our own economic self-interest. At the present time, we are enjoying an extraordinary high volume of exports of both agricultural and industrial goods. In 1947 our exports of goods and services amounted to over 19 billion dollars.

Senator BYRD. Mr. Ogg, could I ask you a question, there?

Mr. OGG. Yes, sir.

Senator BYRD. Does that item of $19,000,000,000 include what is given away under the Marshall plan?

Mr. OGG. My understanding is that that includes not only goods that are exported with ECA help, but also exports of services, such as, well, payments for shipping. It includes both goods and services.

Senator BYRD. Well, have you any estimate of the amount that we export, that we receive back in cash?

Mr. OGG. Well, of course, I have not made any estimate of that specifically, but I would say this: The goods that we export have to be paid in American dollars. We won't accept payment in any other way, so in one way or another, the dollars come back to this country.

Senator BYRD. I would like to get a break-down as between what may be properly considered as exports, and what we are giving away.

Mr. OGG. I misunderstood your question. On the next page there are figures of the exports to Marshall-plan countries; but that would not give you, of course, what percentage of those exports were financed by ECA dollars.

Senator BYRD. We can get that information, then.

Mr. OGG. I don't have the specific break-down that you desire, Senator.

The CHAIRMAN. There were not many Marshall-plan exports in 1947. They came later in 1948.

Mr. OGG. That is right.

The CHAIRMAN. Of course, there were other exports that were assisted, but not through the Marshall plan.

Mr. OGG. That is correct.

As I said, in 1947, our exports of goods and services amounted to over $19,000,000,000. They were somewhat less in 1948. Our imports amounted to only about $8,000,000,000, leaving an excess of exports over imports totaling about $11,000,000,000. Obviously, such a situation cannot continue indefinitely. At present we are furnishing the dollars through loans and grants made by ECA to fill a large part of this gap.

The only way we have a chance ever to get paid for what we sent abroad is to develop foreign trade on a sound basis wherein the goods which we can produce advantageously are exchanged for the things which this Nation needs, which can be produced advantageously by other nations.

If the United States wishes to maintain a large volume of export trade, then we must be willing to import more goods into the United States, so that other countries can earn the dollars with which to pay for our exports. This is not only vital to the success of the Marshall plan but it is vital to our own economic self-interest. The total United States exports to the 16 Marshall-plan nations totaled $5,292,040,000 in 1947 while United States imports from these countries totaled only $695,447,000. Thus our exports exceeded our imports by more than 7½ times. This unbalance is a very abnormal condition and cannot continue. We have a few years left to get our foreign-trade house in order and develop international trade on a sound basis.

That is one reason why the reciprocal-trade agreement program is so important. Through such agreements, the United States and other nations can reduce or eliminate the multitude of barriers to trade which exist. They can help to create the conditions under which an expanded international trade can take place with a minimum of governmental controls and restrictions. We are in favor of free enterprise nationally and internationally. Since World War II there has been an alarming increase in Government trading. State trading tends to centralized government, and the latter leads to economic nationalism. The trade-agreement program will promote private enterprise, which is basic to the preservation of individual freedom.

No group in the United States has a greater stake in maintaining a high level of exports than American farmers. The American farmer needs foreign markets. In 1948 the production of agricultural products was 38 percent above the prewar level. And you will see attached, Mr. Chairman, some statistical tables confirming these references. In the case of some products, the increase in production was much greater.

The importance of agricultural exports is indicated by the fact, that, during the period of 1934–38, we exported one-third or more of our production of cotton, tobacco, and dried fruits, and about 8 percent of our bread-grain production. During 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; and be-

tween 5 and 10 percent of our production of edible fats and oils, eggs, and fruits.

Loss of our foreign outlets for agricultural commodities would require American farmers to curtail drastically their production and would greatly reduce their net income. It is of vital importance to American farmers to develop a sound foreign-trade program whereby dependable outlets can be maintained for United States farm exports. That is why they are so vitally interested in the success of the reciprocal trade agreements program, which seeks to remove the barriers to trade so that trade can expand.

Farmers who do not produce export crops also have a vital stake in the maintenance of foreign trade. If producers of export commodities cannot find outlets abroad, producers of these commodities inevitably will be forced to reduce their production and shift to other commodities. Furthermore, the maintenance of a high level of employment and income by industry and labor is of vital importance to the prosperity of agriculture.

Historically, the volume of foreign trade—both imports and exports—has been related to our industrial activity. Periods of high industrial activity have been periods when we have had a high level of exports and imports. Since 1940, however, the volume of imports has been much below the normal relationship between industrial activity and imports, while our exports have exceeded the normal relationship, as shown in chart 1 of the appendix.

The amount of employment dependent upon our exports constitutes an important percentage of the total in many of our basic industries, as indicated in chart 4. In 1939, for example, from about 8 percent to 23 percent of the total employment in various industries were dependent upon exports. The protected industries are not among those paying the highest wages to American workers, as indicated in chart 5, attached.

We therefore support the continuation of the Trade Agreements Act for another 3-year period and the elimination of the restrictions enacted in the 1948 Extension Act which tend to hamper the successful operation of this program.

These amendments remove the United States Tariff Commission from the list of agencies from which the President must seek information and advice with respect to the negotiations of proposed trade agreements, and the Commisison or its representative are specifically prohibited from participating in the negatiations of trade agreements. Under the previous procedure, the Tariff Commission had a representative on the Trade Agreements Committee who, together with representatives of the Departments of Agriculture, Commerce, State, and several other interested departments, participated not only in the development of recommendations to the President on concessions to be sought by the United States as well as concessions to be granted by it, but also participated in the negotiations of the individual trade agreements.

These amendments also require that before trade-agreement negotiations can be conducted, the Commission must conduct separate, independent investigations and reports, and hold separate hearings which duplicate the hearings held by the Committee for Reciprocity Information. The instructions to the Commission are rather restrictive in scope and relate only to the import concessions to be considered

by the United States. They are directed toward retaining or increasing import duties rather than reducing trade barriers. We believe this is too restrictive. The Commission, along with other agencies, should advise the President and participate in all trade agreements.

We insist, however, that the safeguard features of the trade agreements program such as the escape clause be retained. By virtue of an Executive order of the President, all trade agreements thereafter negotiated by the United States must contain an escape clause under which the United States reserves the right to withdraw in whole or in part any concession—

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.

This principle has also been included in the General Agreement on Tariffs and Trade, which was signed at Geneva in 1947 by representatives of 23 nations, including the United States. It was also included in the proposed charter for the International Trade Organization signed at Havana in 1948 by representatives, I believe, of 57 nations.

Another helpful safeguard is the use of quotas in connection with import concessions, where necessary in order to safeguard a domestic industry against a flood of imports, by limiting the amount which can enter at the reduced rate of duty to a specified quantity. Imports in excess of that amount must pay the higher rate of duty.

Another important safeguard to agriculture is contained in section 22 of Public Law 320, as amended by the Agricultural Act of 1948, which gives the President authority to impose import quotas or fees on commodities covered in the act if, after investigation by the Tariff Commission, he determines that the importation of these commodities is interfering with the effectuation of domestic agricultural programs.

I might say our organization has consistently supported that legislation.

If these safeguarding features are properly administered, we believe the interests of agriculture and all other segments of our economy can be adequately safeguarded.

We recommend continuing studies by Congress and other appropriate agencies in order to develop further proposals that would improve the scientific approach to tariff revision so that this program can make its maximum contributions to the development of world trade but not at the sole expense of domestic producers of either raw materials or manufactured articles.

Substantial progress has been made in the development of the reciprocal trade agreements program. At the present time the United States has reciprocal trade agreements in effect with 39 countries. In addition to reduction of tariffs, agreements have been reached on many other important provisions and rules which are designed to reduce or eliminate discriminatory trade practices and other types of trade barriers and to regulate the use of such devices as import and export quotas, exchange controls, and subsidies.

It would be sheer folly to cast aside all of this program, especially at this time, when it is crucially important for the United States to use its great influence to persuade and assist the rest of the world to abandon the use of discriminatory trade practices and to reduce the

maze of governmental restrictions and controls which hamper trade. That is why it is so vital at this time to continue the Reciprocal Trade Agreements Act, so that the United States will be in a position to expand and improve this program.

The United States today stands in a position of unparalleled leadership and influence. It can profoundly influence the future patterns of trade by its leadership or lack of leadership at this crucial time. Through the trade agreements program, the United States can and should continue to exercise this leadership to check the postwar trend toward economic nationalism, to remove or reduce the many barriers which are reducing international trade, and to help create conditions under which private enterprise trading can continue and expand on a sound basis.

(The statistics and charts presented by Mr. Ogg are as follows:)

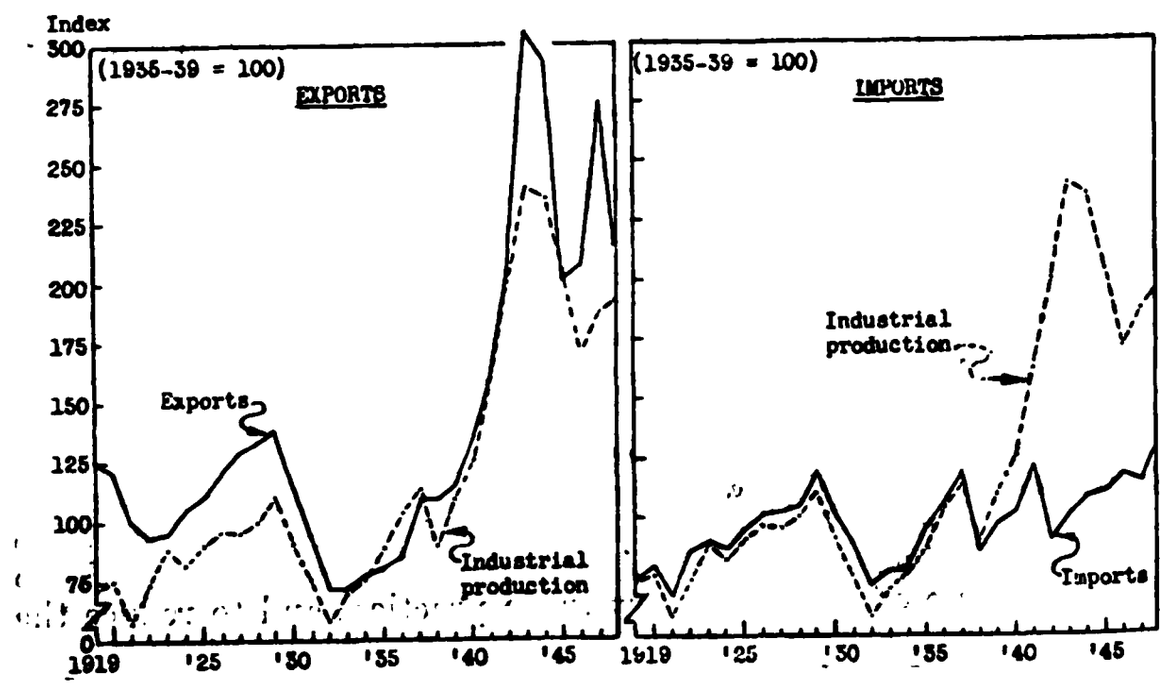
Comparison of industrial production and volume of United States foreign trade, 1919–48

[1935-39=100]

Year	Industrial production in United States	Quantity of exports of United States merchandise	Quantity of United States imports for consumption	Year	Industrial production in United States	Quantity of exports of United States merchandise	Quantity of United States imports for consumption
1919	72	125	73	1934	75	77	77
1920	75	121	79	1935	87	81	95
1921	58	100	67	1936	103	85	106
1922	73	93	86	1937	113	109	118
1923	88	95	89	1938	89	109	85
1924	82	106	87	1939	109	115	97
1925	90	111	94	1940	125	134	102
1926	96	120	101	1941	162	160	121
1927	95	129	102	1942	199	209	90
1928	99	133	104	1943	239	305	101
1929	110	138	118	1944	235	293	108
1930	91	114	100	1945	203	201	110
1931	75	93	88	1946	170	207	117
1932	58	72	71	1947	187	276	114
1933	69	72	77	1948 [1]	192	215	125

[1] Estimated.

Source: Industrial production index, Federal Reserve Board. Quantity of United States foreign trade, U. S. Department of Commerce.



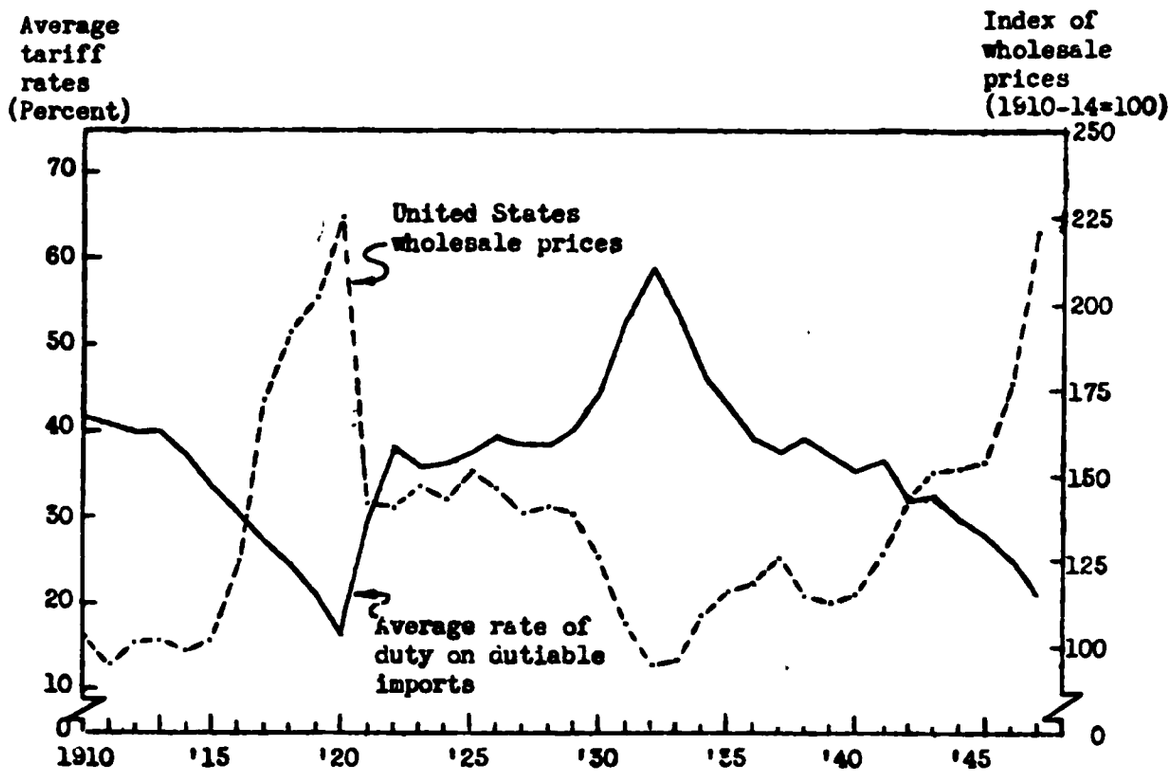
Historically, the volume of foreign trade, both imports and exports, has been related to our industrial activity. At present, however, the volume of imports is much below the normal relationship of industrial activity and imports.

Index of wholesale prices and percent average tariff duties were of the value of dutiable imports into the United States, 1910–47

[1910–14=100]

Year	Wholesale prices	Average tariff rates	Year	Wholesale prices	Average tariff r tes
1910	103	42	1929	139	40
1911	95	41	1930	126	45
1912	101	40	1931	107	53
1913	102	40	1932	95	59
1914	99	38	1933	96	54
1915	102	33	1934	109	47
1916	125	29	1935	117	43
1917	172	26	1936	118	39
1918	192	24	1937	126	38
1919	202	21	1938	115	39
1920	225	16	1939	113	37
1921	142	29	1940	115	36
1922	141	38	1941	127	37
1923	147	36	1942	144	32
1924	143	37	1943	151	33
1925	151	38	1944	152	30
1926	146	39	1945	154	28
1927	139	39	1946	177	25
1928	141	39	1947	221	21

Source: Statistical Abstract of the United States, 1944–45 and 1947, United States Department of Commerce.

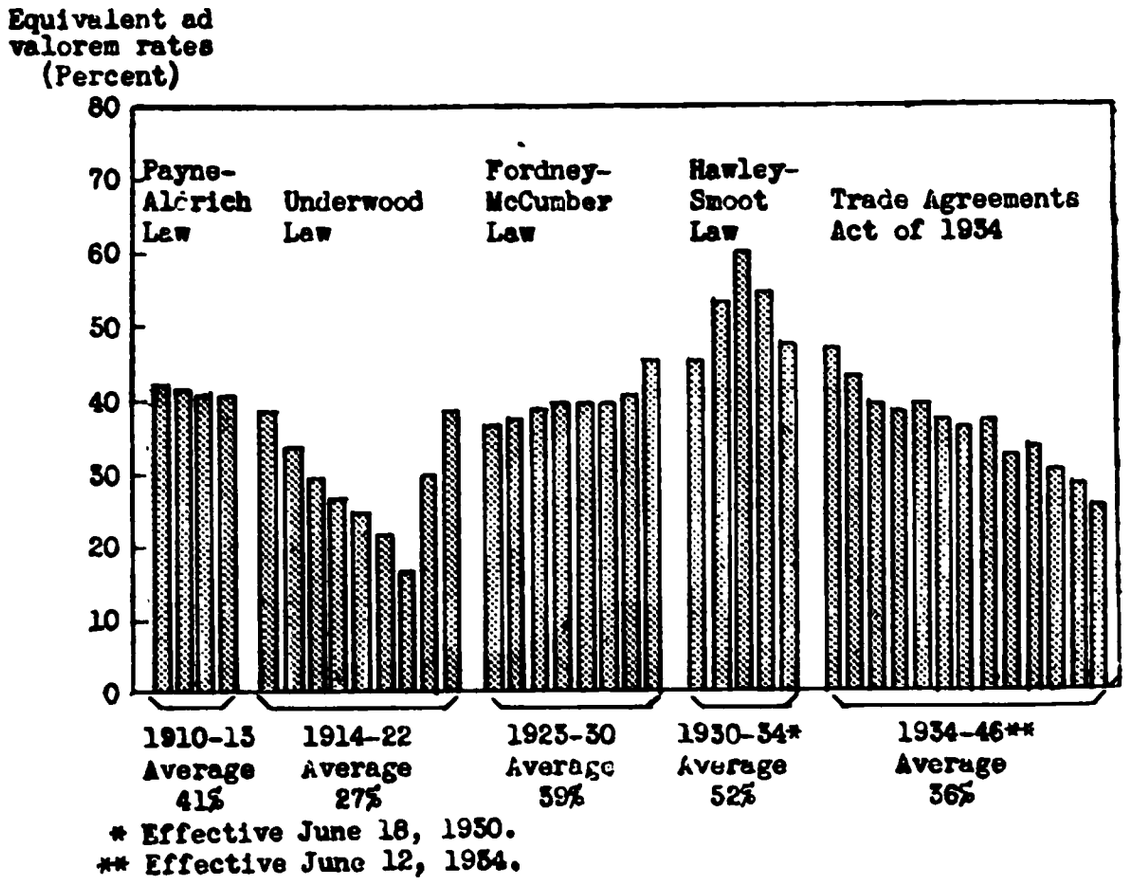


During periods of high prices tariffs are less restrictive than during periods of lower prices.

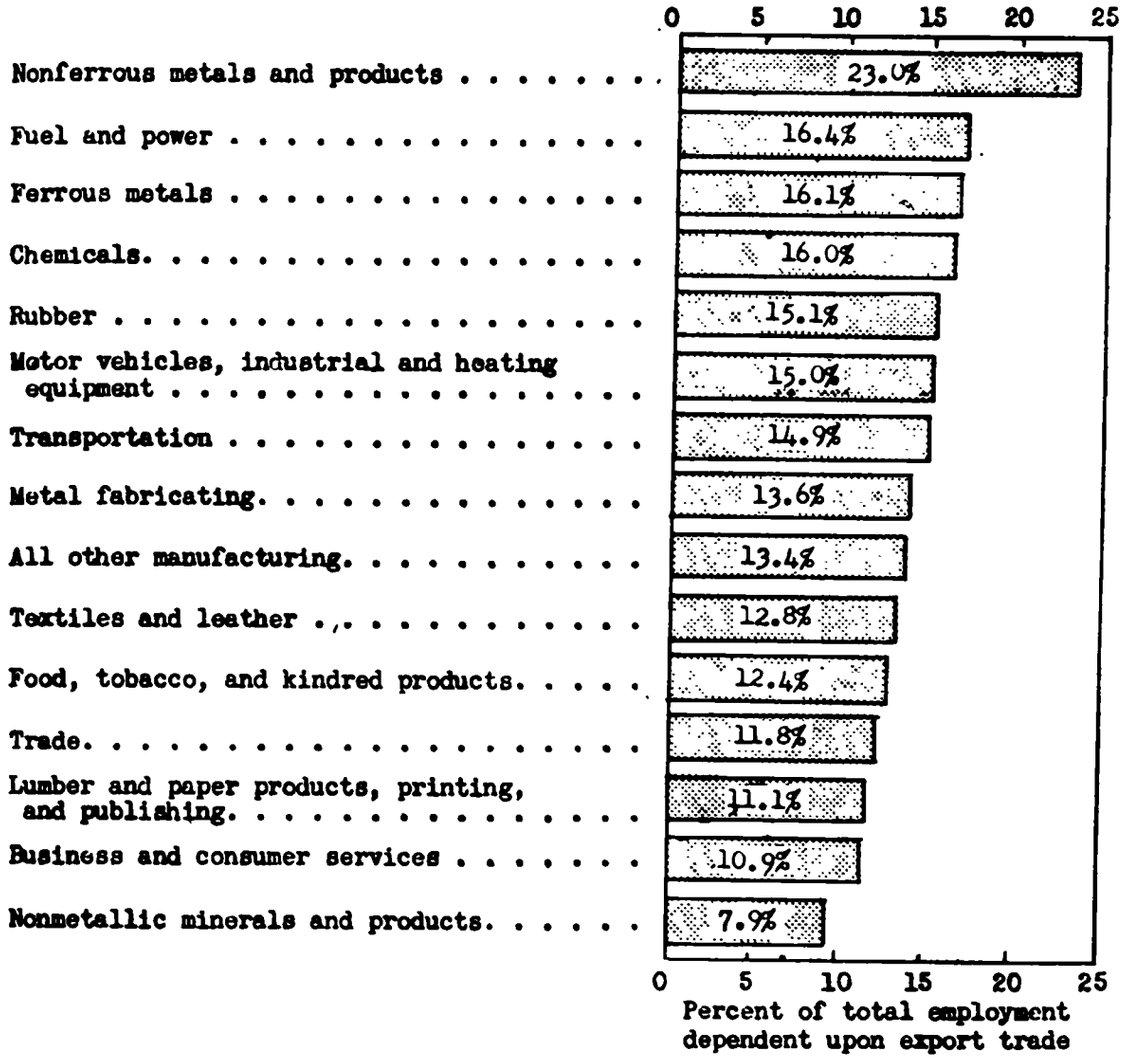
Percent average tariff duties were of the value of dutiable imports into the United States, under specified tariff acts, 1910–47

Year	Equivalent ad valorem rates	Year	Equivalent ad valorem rates	Year	Equivalent ad valorem rates
	Percent		*Percent*		*Percent*
1910	42	1923	36	1936	39
1911	41	1924	37	1937	38
1912	40	1925	38	1938	39
1913	40	1926	39	1939	37
1914	38	1927	39	1940	36
1915	33	1928	39	1941	37
1916	29	1929	40	1942	32
1917	26	1930	45	1943	33
1918	24	1931	53	1944	30
1919	21	1932	59	1945	28
1920	16	1933	54	1946	25
1921	29	1934	47	1947, first half	21
1922	38	1935	43		

Source: U. S. Tariff Commission.



The general price level has a significant effect upon tariffs. In 1920, a year of high prices, the value of the duties collected was only about 16 percent of the value of dutiable imports, compared with 59 percent in 1932, a year of low prices. This change was due in part to a change in tariff rates and also to the fact that many import duties are based upon a given amount per unit, which does not change with fluctuating prices. Tariff duties under the Hawley-Smoot tariff law from June 1930 to June 1934 averaged 52 percent of the value of dutiable imports. This was due in part to the low prices which prevailed during this period. A combination of the Trade Agreements Act and increased prices has reduced the value of tariff duties in relation to the value of dutiable imports from this high level.



Source: W. W. Leontief, Quarterly Journal of Economics, February 1946.

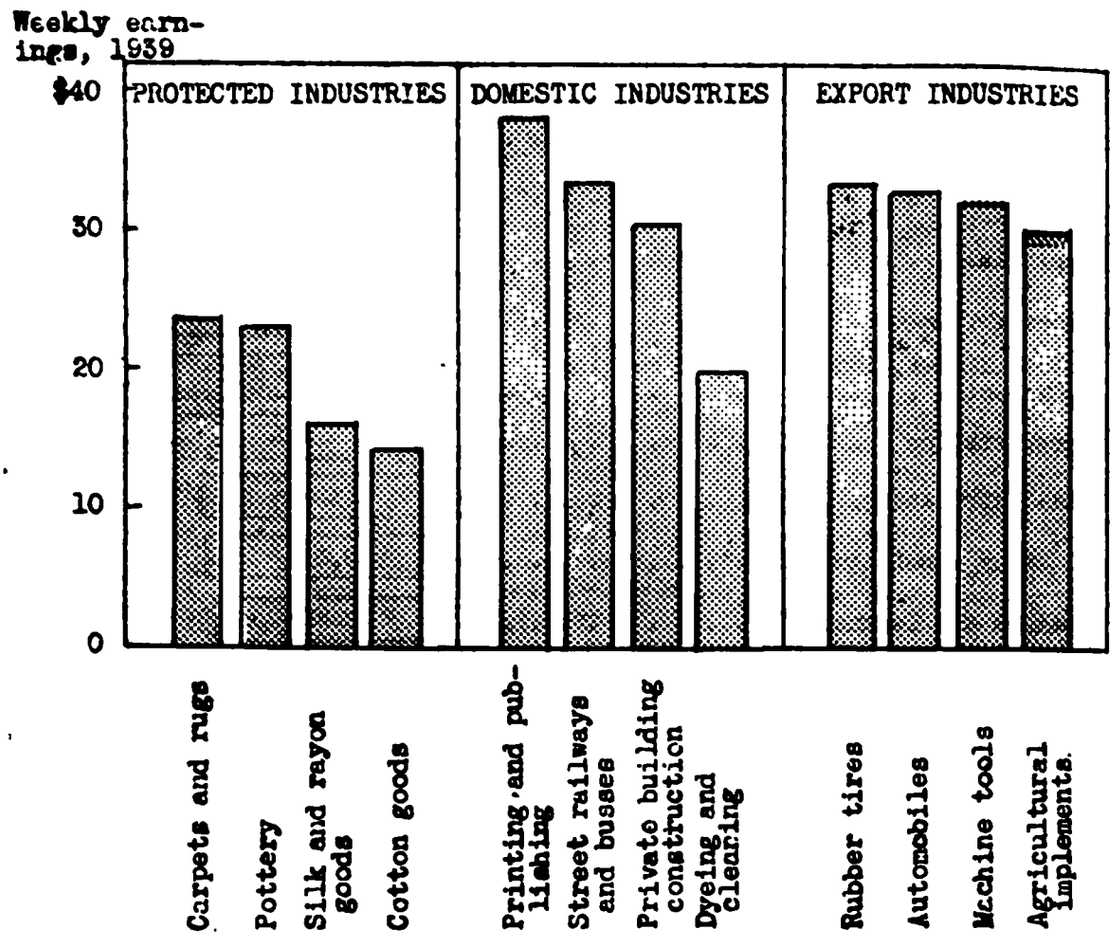
A considerable proportion of the workers in many of our key industries are dependent upon export markets. In 1939 the percent of total employment dependent upon exports ranged from about 8 percent to 23 percent in the various industries.

Average weekly wages of workers in certain industries protected by the tariff, in domestic industries and in industries exporting a sizable proportion of their production, 1939 and October 1948 [1]

Industry	Average weekly earnings	
	1939	October 1948
Protected industries:		
Carpets and rugs	$23.25	$60.08
Pottery	22.74	51.33
Silk and rayon goods	15.78	49.13
Cotton goods	14.26	41.60
Domestic industries:		
Printing and publishing, newspapers and periodicals	37.58	75.47
Street railways and busses	33.13	63.40
Private building construction	30.34	71.79
Dyeing and cleaning	19.96	39.41
Export industries:		
Rubber tires and inner tubes	33.36	64.82
Automobiles	32.90	64.87
Machine tools	32.25	63.31
Agricultural implements	26.46	61.45

[1] The classification of industries was taken from Public Affairs Pamphlet No. 99, What Foreign Trade Means to You.

Source: Statistical Abstract of the United States.



The protected industries are not among those paying the highest wages to workers.

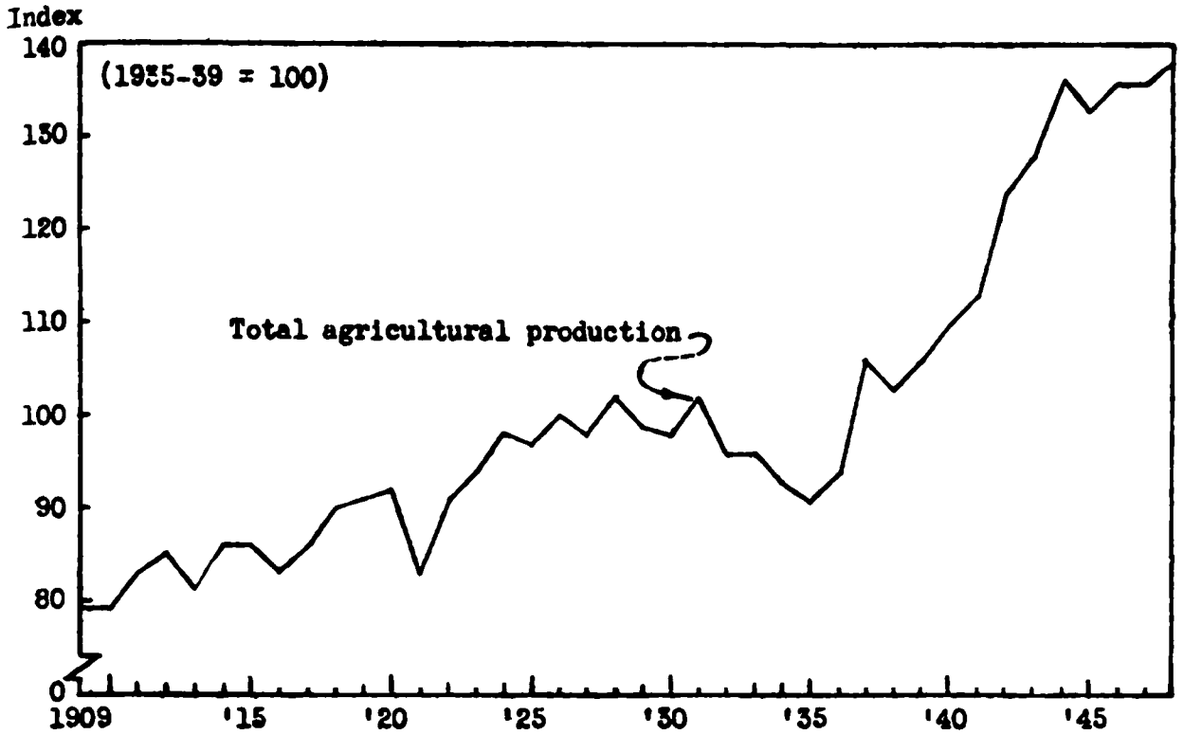
Volume of agricultural production in the United States, 1909–48

[Index numbers 1935–39=100]

Year	Total food products	Total agricultural products [1]	Year	Total food products	Total agricultural products [1]
1909	76	79	1929	97	99
1910	75	79	1930	98	98
1911	78	83	1931	100	102
1912	80	85	1932	96	96
1913	78	81	1933	97	96
1914	81	86	1934	100	93
1915	84	86	1935	93	91
1916	81	83	1936	97	94
1917	82	86	1937	101	106
1918	90	90	1938	103	103
1919	90	91	1939	106	106
1920	87	92	1940	111	110
1921	84	83	1941	115	113
1922	92	91	1942	125	124
1923	95	94	1943	133	128
1924	97	98	1944	138	136
1925	93	97	1945	138	133
1926	97	100	1946	140	136
1927	97	98	1947	140	136
1928	100	102	1948 [2]	135	138

[1] Includes in addition, other feed grains, hay, cotton, tobacco, hops, soybeans, flaxseed, wool, and mohair.
[2] Preliminary.

Source: The National Food Situation, October 1942 and subsequent issues, Bureau of Agricultural Economics, U. S. Department of Agriculture.



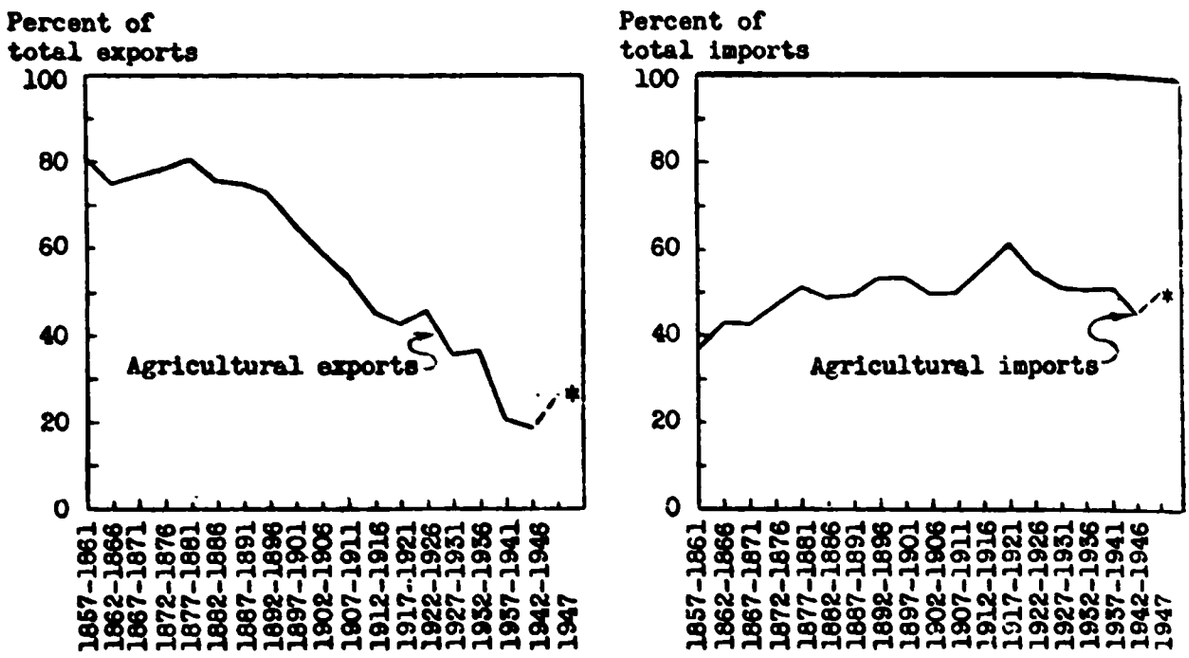
The total volume of agricultural production for 1948 was estimated to be 38 percent above the prewar 1935-39 average.

Percent agricultural exports and imports are of total exports and imports of the United States, by 5-year periods, 1857 to 1946, and 1947

Period	Percent agricultural exports are of total exports of United States merchandise [1]	Percent agricultural imports are of total imports [1]	Period	Percent agricultural exports are of total exports of United States merchandise [1]	Percent agricultural imports are of total imports [1]
1857-61	80.4	37.1	1907-11	53.8	49.9
1862-66	74.7	43.0	1912-16	45.1	55.4
1867-71	76.6	42.6	1917-21	42.6	61.5
1872-76	78.3	47.0	1922-26	45.9	54.3
1877-81	80.1	51.4	1927-31	35.9	51.2
1882-86	75.9	48.4	1932-36	36.4	50.9
1887-91	74.6	49.8	1937-41	40.3	51.0
1892-96	72.7	53.5	1942-46	18.7	45.6
1897-1901	65.8	53.4	1947	26.1	50.4
1902-06	59.4	49.7			

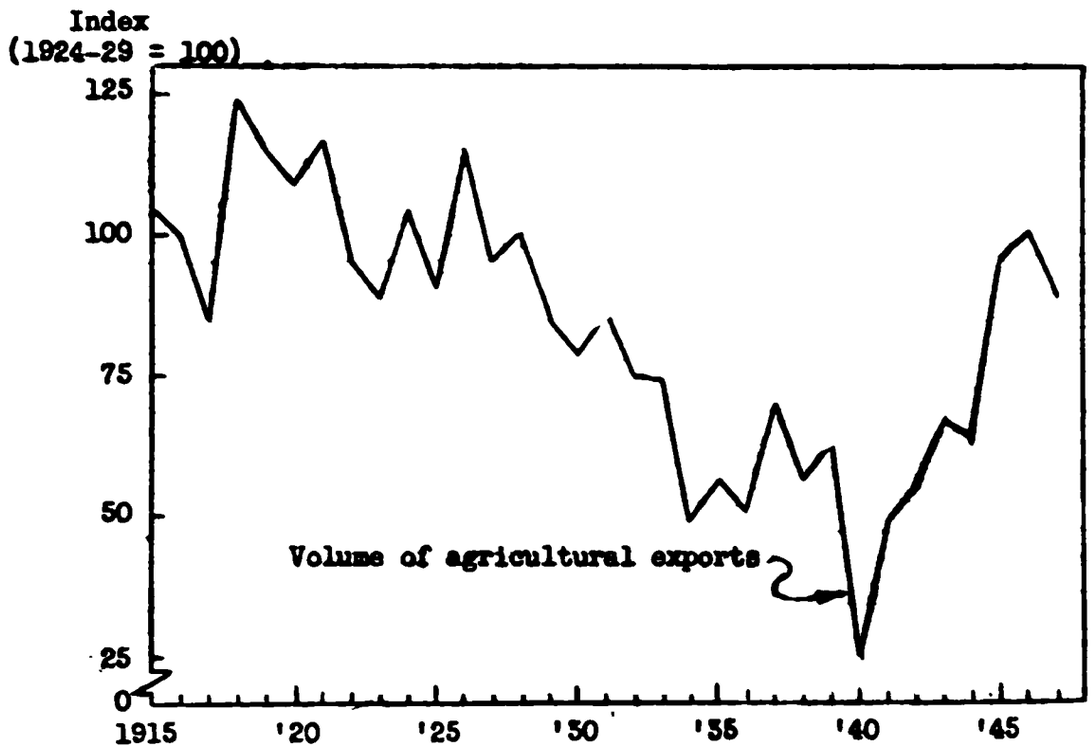
[1] Forest products and distilled liquor not included in agricultural exports or imports.

Source: U. S. Department of Commerce, Bureau of Census, Statistical Abstract of the United States.



* One year, 1947.

As the Nation becomes more industrialized, agricultural exports represent a decreasing proportion of our export trade. declining from around 80 percent in the 1850's to about 20 percent in the period preceding World War II. During this same period, the importance of agricultural imports relative to total imports has increased.



The volume of agricultural exports has declined materially since the 1920s. Agricultural exports in the late thirties were only 60 percent of the 1924–29 average. The volume of agricultural exports (including lend-lease shipments) declined still further during the war period 1940–44. Although a substantial increase has occurred, in 1947 the volume of agricultural exports was still slightly below the predepression level. Food exports were higher while cotton exports were considerably lower.

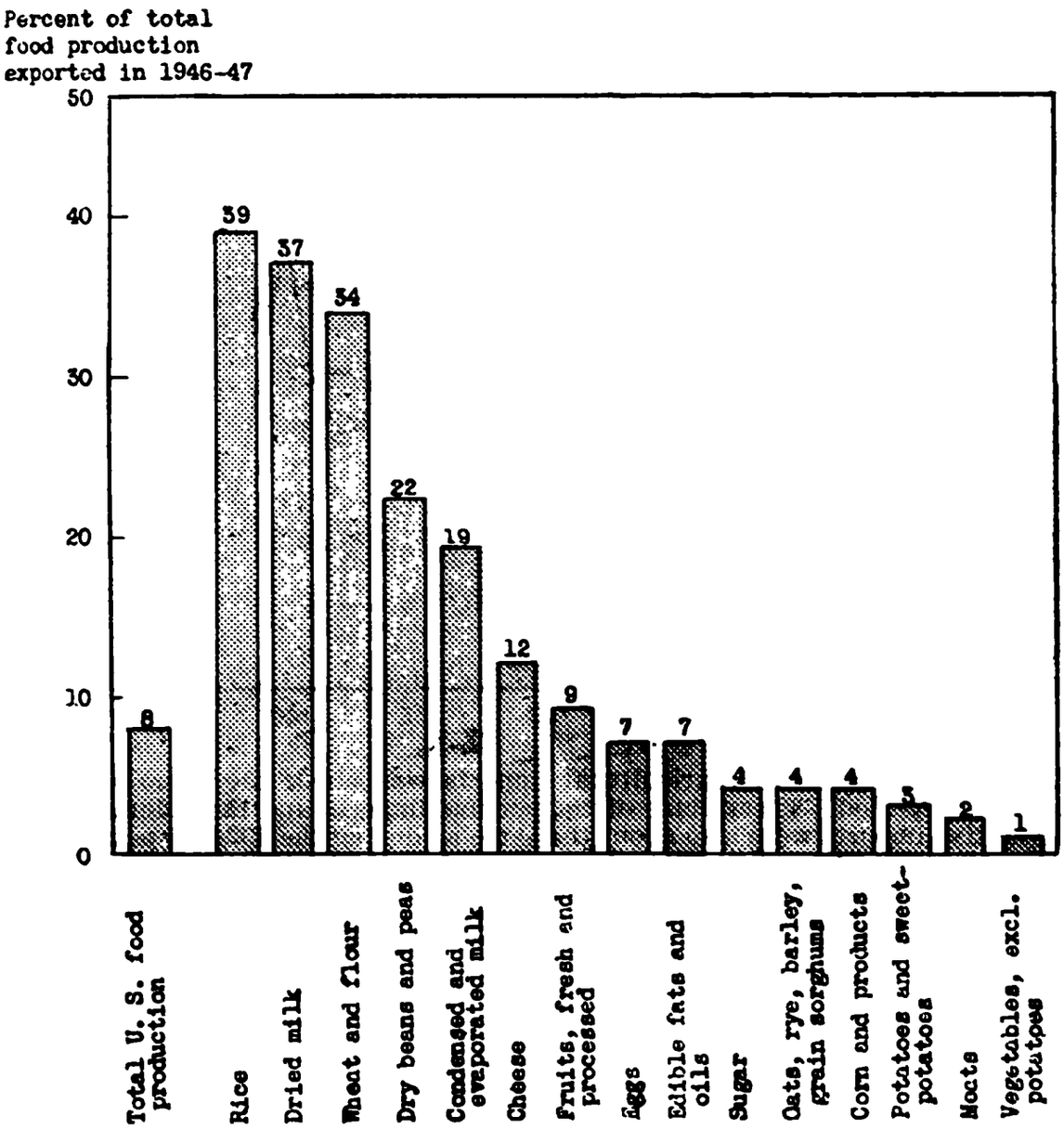
Quantities of United States agricultural exports, by 5-year periods, 1915–44,[1] and 1947

[Index numbers, calendar years, 1924–29=100]

Year beginning July—	Total agricultural	Cotton, including linters	Agricultural, except cotton	Tobacco, unmanufactured	Fruits	Wheat and flour	Other grains	Cured pork	Lard, including neutral
1915–19	106	68	141	91	38	120	----------	322	67
1920–24	103	74	130	91	56	140	----------	180	113
1925–29	98	101	95	104	105	92	94	78	95
1930–34	73	90	57	87	107	40	22	29	63
1935–39	60	67	53	85	109	34	64	16	22
1940–44	52	16	86	66	58	23	44	54	79
1947	89	24	159	83	88	266	109	2	43

[1] Simple average of index numbers by 5-year periods.

Source: "Foreign Agricultural Trade," December 15, 1947 and "Agricultural Statistics, 1942," United States Department of Agriculture.



Source of data: Food Prices, Production, and Consumption, report prepared by the staff of the Joint Committee on the Economic Report on Food Prices, production, and consumption, December 15, 1947, p. 50.

Over 8 percent of our total food production was exported during the fiscal year ended June 1947. Over one-third of our rice, dried milk, and wheat and flour was exported.

Quantities of United States agricultural imports, by 5-year periods, 1925–44 [1] and 1947

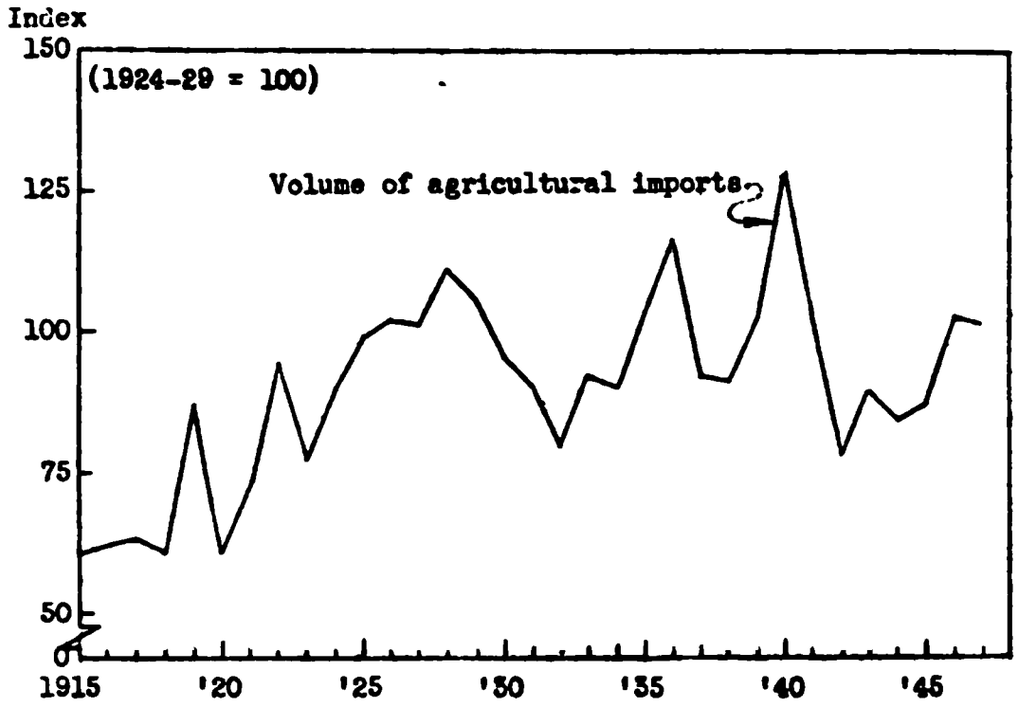
[Index numbers, calendar years, 1924–29=100]

Year beginning July—	Agricultural	Complementary [2]	Supplementary [2]	Sugar	Supplementary, except sugar	Wool, excluding free for carpets	Hides and skins	Dairy products	Vegetable oils and oilseeds	Grain, grain products and feeds	Tobacco, leaf
1925–29	104	105	102	98	104	96	106	100	107	101	100
1930–34	89	103	72	78	70	23	66	54	98	138	67
1935–39	101	108	92	75	98	77	72	58	128	242	72
1940–44	96	84	112	74	126	497	90	23	69	341	83
1947	101	111	87	79	89	296	60	16	72	16	79

[1] Simple average of index numbers by 5-year periods.

[2] Supplementary agricultural imports consist of all imports similar to agricutural commodities produced commercially in the United States, together with all other agricultural imports interchangeable to any significant extent with such United States commodities. Complementary agricultural imports include all others, about 95 percent of which consist of rubber, coffee, raw silk, cacao beans, wool for carpets, bananas, tea, and spices.

Source: Foreign Agricultural Trade, Sept. 15, 1948, and Agricultural Statistics, 1942, U. S. Department of Agriculture.



In 1947 the volume of agricultural imports was about the same as during the 1924–29 period. The volume of competitive imports and the volume of noncompetitive imports were also about the same as during the 1924–29 period. For 20 years prior to World War II, the volume of agricultural imports was maintained while the volume of agricultural exports declined.

Relation of competitive agricultural imports to total agricultural imports and exports, United States, 1928–47

Year beginning July—	Value of domestic agricultural exports	Value of agricultural imports	Value of competitive agricultural imports [1]	Excess of domestic agricultural exports over competitive imports	Percent of total agricultural imports that are competitive
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Percent*
1928	1,847	2,177	1,030	817	47
1929	1,496	1,900	889	607	47
1930	1,038	1,162	512	526	44
1931	752	834	375	377	45
1932	590	614	282	307	46
1933	787	839	419	369	50
1934	669	934	498	171	53
1935	766	1,141	642	125	56
1936	732	1,537	867	[2] −134	56
1937	891	1,155	588	302	51
1938	683	999	486	197	49
1939	738	1,239	572	166	46
1940	350	1,474	629	[2] −279	43
1941	1,030	1,503	769	261	51
1942	1,487	1,344	966	521	72
1943	2,269	1,774	1,244	1,025	70
1944	2,143	1,729	1,111	1,032	64
1945	2,836	1,885	1,030	1,806	55
1946 [3]	3,575	2,716	1,387	2,188	51
1947 [3]	3,442	2,861	1,443	1,999	50

[1] Competitive agricultural imports are usually referred to as supplementary. Supplementary agricultural imports consist of all imports similar to agricultural commodities produced commercially in the United States, together with all other agricultural imports interchangeable to any significant extent with such United States commodities. Complementary agricultural imports include all others, about 95 percent of which consist of rubber, coffee, raw silk, cacao beans, wool for carpets, bananas, tea, and spices.

[2] Excess imports.

[3] Beginning Jan. 1, 1947, includes exports under the Army civilian supply program. Comparable data for earlier years not available at the Bureau of the Census.

Source: Foreign Agricultural Trade, September 1948, and Agricultural Statistics, 1947, U. S. Department of Agriculture.

Between 1928 and 1947, from 43 to 72 percent of the agricultural imports competed directly with American farmers. In 2 years, 1936 and 1940, the value of competitive agricultural imports exceeded the value of agricultural exports.

The CHAIRMAN. Senator Byrd, have you any questions?

Senator BYRD. I want to compliment Mr. Ogg on the paper he has read. I think it is an excellent presentation.

Mr. OGG. Thank you, Senator.

The CHAIRMAN. Any questions, Senator Millikin?

Senator MILLIKIN. Yes.

Mr. Ogg, what percentage of the entire farm product is absorbed by our domestic market?

Mr. OGG. Total agricultural exports in 1946 and 1947 amounted to approximately 13 or 14 percent of the total cash receipts from farm marketings; hence, approximately 86 or 87 percent of the cash value of the total farm marketings were sold in the domestic market.

Senator MILLIKIN. I notice that your organization, and quite properly, as I see it, is interested in reduction of restrictive trade barriers. Quotas, from the viewpoint of the State Department, are probably the most offensive of all those trade barriers. I notice that you have a recommendation for quotas in here; and I would suggest that you will probably run into violent opposition on that from this administration.

Mr. OGG. Well, Senator, of course, you know how farm organizations form their recommendations. We are a free, independent agency

of farmers, and we feel free to make the recommendations we feel would be constructive. We don't claim to have all the answers, but we do feel we have an obligation to represent the views of our members.

Senator MILLIKIN. I just wanted to bring that to your attention.

Mr. OGG. I might say that our organization not only supported the legislation, to which reference was made, which is known as section 22, but we have appeared on several occasions before the Tariff Commission, and have asked for investigations, and in two instances, on wheat and in one instance on cotton goods, import quotas have been imposed, and we have supported that action.

Senator MILLIKIN. I merely wanted to make the point that the administration, in its effort to break down these barriers, is very much opposed to quotas by anybody, and finds it difficult to tolerate those which we have.

Mr. OGG. Of course, you understand, now, with reference to our support of this particular provision, I would not want this to be construed as meaning that we would support the general use of import quotas throughout the world, either by us or other nations. I think it is is one of the most restrictive devices that we run up against abroad in our efforts to try to get trade. I think it is a very great gain, myself, that in the Geneva agreement and in the ITO Charter we have been able to get these other countries to agree to refrain from using import quotas, except in certain specified cases.

Senator MILLIKIN. I am not at all resisting your thesis. I am simply pointing out to you that it runs counter to the policy of this administration. We cannot urge other countries to abandon their quotas while putting them on, ourselves.

Mr. OGG. But we have, Senator, this situation, as I understand it, that our Government has been able, in the ITO Charter and in the Geneva agreement, to secure the agreement of a large number of countries that they will not resort to import quotas except in the case of primary commodities and then only in certain conditions.

Senator MILLIKIN. It has been developed by witnesses here already that not a single restrictive practice on foreign trade has been abandoned by any country which has been using them. We are full of proclamations of intent in ITO; and you will find some in our Geneva trade agreement. But they have accomplished, up to date, absolutely nothing.

Mr. OGG. Of course, I don't know what has been developed here, but I certainly have a different understanding, myself, of what has been accomplished in the Geneva agreement, and in the ITO Charter.

Senator MILLIKIN. We have challenged the production of any reform any place along the line by any country that has been indulging in those practices; and so far we have not received a single instance.

Mr. OGG. Of course, the ITO Charter is not in effect and has to be ratified by our Congress, and the Geneva agreement has only been in effect a short time, but they certainly agreed in that to some very far reaching provisions.

Senator MILLIKIN. I do not want to argue the ITO Charter now, but the ITO Charter, as you know, consists of a statement of desirable principles; and then it carves out so many exceptions, I suggest, that nothing is left.

Mr. OGG. Well, of course, we were anxious to get some of those exceptions, and were glad some of them were included.

Senator MILLIKIN. That is the point.

Mr. OGG. But I think that we cannot object to other countries having some exceptions too.

Senator MILLIKIN. When you take the aggregate of that, you have nothing left.

Mr. OGG. I will say this, in fairness: Our people considered this, and we feel that it would be very helpful. Our delegate body endorsed, and urged that Congress ratify, the ITO Charter.

Senator MILLIKIN. Let me ask you: Did your last convention endorse the specific recommendation which you are making here today? I have read your resolution, and your resolution does not do that.

Mr. OGG. That is the part of the resolution that relates specifically to trade agreements, which, as you will note, opposes crippling restrictions, but asks for a continuation of safeguards.

Now, these amendments were discussed, and their possible effects during the consideration of this matter at our annual meeting, and also during our last board meeting.

Senator MILLIKIN. My point was: Did not the convention authorize the specific amendments which you have developed here in your statement?

Mr. OGG. Well, at the convention you don't consider bills, you consider principles.

Senator MILLIKIN. Are the principles to be found in this resolution?

Mr. OGG. This is the resolution of the delegate body, and the matter was further considered at the meeting of our board of directors here recently. The present legislation was considered, and the President was authorized to take the position he has taken here in this statement.

Senator MILLIKIN. May I invite your attention to page 5 of your statement?

Mr. OGG. Yes, sir.

Senator MILLIKIN. It says:

> These amendments remove the United States Tariff Commission from the list of agencies from which the President must seek information and advice with respect to the negotiation of proposed trade agreements * * *.

I suggest to you that that is an error. There is nothing in the existing law that removes the Tariff Commission from any advisory function to the President.

Mr. OGG. Well, perhaps that was not stated exactly as intended. What was intended there was that these amendments did remove the Tariff Commission from participating in the policy decisions that the President must make with respect to what concessions he is going to ask for or grant.

Senator MILLIKIN. That is correct.

Mr. OGG. That was what was intended.

Senator MILLIKIN. The President receives under the present law the recommendations of the Tariff Commission so far as peril points are concerned, and continues to receive the recommendations of Commerce, of Agriculture, and of all of the other agencies. So he has control of all of the sources of information you may need for reaching a conclusion.

Mr. OGG. But I certainly would not want to leave any impression, Senator, that we would not wish the Tariff Commission to continue to be consulted. In fact, our objection to the present procedure is that it seemed to use that it removed them to a much greater degree than

the previous procedure, wherein they could not only help determine policies, but could actually help with the negotiations. We thought that was a very great advantage.

Senator MILLIKIN. I suggest most respectfully that you are in partial error there. The Tariff Commission, as such, was never represented on the interdepartmental committee.

Mr. OGG. Perhaps I should say "a representative of the Commission."

Senator MILLIKIN. Someone from the Commission was selected as a member of the interdepartmental committee, but he was not selected to represent the view of the Tariff Commission. He sits there simply as an individual, picked out of that group, as others were picked out of other groups.

Mr. OGG. Well, as I understand it, the Tariff Commission did have a representative, in the same way that the Department of Agriculture had a representative and the State Department had a representative.

Senator MILLIKIN. It depends upon what you mean by "in the same way." This has been developed again and again in testimony, and there is no question about it. A representative on the interdepartmental committee was picked out of the Tariff Commission, but he could voice his own views, or if he wished, he could voice the views of the Tariff Commission; but he was not required to voice the views of the Tariff Commission. So that the Tariff Commission as such was not necessarily represented on the interdepartmental committee.

Mr. OGG. May I just point this out, Senator, also in that connection. It seems to me that there was an arrangement in the older procedure, that was helpful insofar as the Tariff Commission and other agencies, particularly Agriculture, were concerned. As I understand it, the Trade Agreements Committee, was made up of all of these representatives, and if any one of them disagreed with the recommendations, not only on import concessions, but export concessions, it was necessary to present a report of that to the President, in order that he might have the benefit of these dissenting views.

Senator MILLIKIN. I am talking about the Tariff Commission. That is what you are speaking of here. And there was no requirement that any dissents among the Tariff Commissioners or the whole view of the Tariff Commission, if there were unanimity, should be passed on to the interdepartmental committee, or to the President.

Mr. OGG. I am not familiar with the details of that, Senator, and you may be entirely correct.

Senator MILLIKIN. You have an interesting point there, if it were correct; and I am taking the liberty of suggesting that it is incorrect.

Now, you complain that the Tariff Commission is specifically prohibited from participating in the negotiating of trade agreements. And that is quite correct. The Tariff Commission, I respectfully suggest, is an agency of the Congress. The Congress has never authorized the Tariff Commission to negotiate or participate in the negotiation of trade agreements; and the separation of the two branches of Government rather indicates it would be a good policy if it were authorized to do so. The Tariff Commission is our representative.

Mr. OGG. Well, also, Senator another point that we felt was unduly restrictive was that the language in section 4 of the present act not only prohibits a representative of the Commission from participating

in the negotiations, but also from participating in the making of decisions with respect to proposed terms.

Senator MILLIKIN. That is right.

Mr. OGG. And it seemed to us that it was a very useful provision to have the Tariff Commission's assistance in reaching those decisions.

Senator MILLIKIN. I suggest to you again that they never had the Tariff Commission's assistance in that.

Mr. OGG. Well, the Tariff Commission's representative.

Senator MILLIKIN. And I suggested that there is no dearth of advice or information available to the President of the United States.

May I invite your attention to the statement to the effect that the instructions to the Commission are rather restrictive? Then you go on to say:

> They are directed toward retaining or increasing import duties rather than reducing trade barriers.

I suggest to you that there is nothing of that kind in the act.

Mr. OGG. No; that was not in quotation in my statement, however, Senator. The language that I had reference to there in my statement, was that contained in section 3 of the present act, which contains the instructions to which I referred there. It states that the Commission is to make a finding with respect to—

> (1) the limit to which such modification, imposition or continuance may be extended in order to carry out the purpose of such section 350 without causing or threatening serious injury to the domestic industry producing like or similar articles; and
>
> (2) if increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry producing like or similar articles, the minimum increases in duties or additional import restrictions required.

Senator MILLIKIN. That was already in the law, Mr. Ogg. The President has the right to raise or decrease.

Mr. OGG. But the specific mandate here, though, to the Commission is much more restrictive than the original act, in that it relates to limitations on concessions that the United States might wish to make. The law covers both.

Senator MILLIKIN. The law, as it was originally, preserved a leeway for increases or decreases for the President. We did not disturb that in any way.

Mr. OGG. That is correct. But the point I wanted to make clear is that this is a special mandate to the Commission, which is much less inclusive and much more restrictive, and relates only to import concessions.

Senator MILLIKIN. That is right. Now, your objection to that is what?

Mr. OGG. Well, as I stated, it was our feeling that it was unduly restrictive, coupled with the other points which I made. I wouldn't like to lift this out of its setting, because our view is one of taking the matter as a whole. In view of the other considerations, which remove the Commission from these other functions, coupled with this, in our view, it is too restrictive. Of course, it is a matter of judgment, Senator. That is just our judgment.

Senator MILLIKIN. I suggest to you again that under our system of Government you are getting into a very hybrid thing when a legislative agency starts to do any part of the President's work. And we have delegated the negotiation of these matters to the President.

But be that as it may, I repeat that there is no source of information or advice to the President that has been foreclosed by the present law.

Mr. OGG. Except that the representative of the Commission can't participate in reaching decisions, or in the negotiations.

Senator MILLIKIN. That is right. And I suggest to you that the representative of the Commission is not truly a representative of the Commission, in that he is not required to voice the opinion of the Commission.

Mr. OGG. Of course, it is a matter of judgment, as was said here earlier, as to what is the best way to accomplish this. We are just trying to give you our best judgment, sir.

Senator MILLIKIN. Let me ask you: Have you been here all morning?

Mr. OGG. Yes, sir.

Senator MILLIKIN. You heard the discussion on the escape clause?

Mr. OGG. Yes, sir.

Mr. MILLIKIN. There is no need, then, to cover that ground again.

Mr. OGG. I would just like to emphasize that we feel that is very important, and we want to see that continued, of course.

Senator MILLIKIN. The theory of the present law is that you should have both: that you should have the safeguarding principle carefully focused to the President's attention, and you also should have the escape clause. And I invite your attention again to the fact that the President may disregard any recommendation which the Tariff Commission may make.

Mr. OGG. Yes, I understand.

Senator MILLIKIN. With no obligation other than to make a simple explanation, or as much of an explanation as he may want to make, to that body of this Government which has delegated that power to him.

Mr. OGG. I think that is correct.

Senator MILLIKIN. Do you find that an unreasonable requirement?

Mr. OGG. Well, I think if that were all, the question of making public the finding—it would be difficult to say that that in itself was unreasonable, but I would like to reiterate that our view of this is that, taking these things as a whole, we felt they were too restrictive, and that the old procedure would be preferable.

And I think there is another consideration, as far as agriculture's interests are involved. I certainly have a high regard for the Tariff Commission and its Staff, and I wouldn't want anything I say here to be in any way a reflection on either the Commission or its staff.

But I think one needs to recognize that the Department of Agriculture, with its facilities for getting information, with its facilities for keeping in constant touch with farmers and their problems, its facilities for collecting of statistics, and with the Foreign Agricultural Service in the Department of Agriculture, with its representatives in foreign countries, many of whom have been there for years, who know the labor costs, who know the conditions of production, is in a better position to determine whether a proposed concession is good or bad—unless the Commission were to add, as it has done in previous years, the sending of special investigators abroad and out in the field, to get all that data itself.

Senator MILLIKIN. Under the law as it stands, Mr. Ogg, there is nothing that prevents the Tariff Commission from assembling its information from any source that it wants to.

Mr. OGG. That is correct.

Senator MILLIKIN. And I should think that common sense would dictate that in connection with the agricultural problem it would take advantage of whatever information is available in the Agriculture Department. By the same token, if I may continue, the other departments which are bound into this interdepartmental relation by law, also can get all of the factual data that they want from the Tariff Commission and from each other. There is no Chinese wall around any source of information under the present law.

Mr. OGG. No; I understand. The only reason I mentioned it, Senator, is that if you set out the Tariff Commission to itself to make these determinations, it would seme to me difficult for the Commission to fully appraise the situation and accurately appraise it, as to agricultural commodities, unless it just used the data that the Department of Agriculture already had available.

Senator MILLIKIN. Let us suppose that they came up with a recommendation to the President on an escape of some kind. The President will consult with the Department of Agriculture. If he thinks that the Department of Agriculture's arguments outweigh those of the Tariff Commission, he is not required to take the Tariff Commission's recommendation. He can take those of the Department of Agriculture. He can take those of anybody he picks up off the street. But if he does, and goes below a peril point, all he has to do is to say why he did it. And if he did it on the basis that stronger and better facts came from the Department of Agriculture, the country would support it.

Mr. OGG. Of course, he could do that under the old procedure, too.

Senator MILLIKIN. He could do it under the old procedure, and he could do it now.

Mr. OGG. So that things are on the same basis in that respect. But there is this essential difference: that when you ask the Tariff Commission to make an independent study on a very limited phase, then the question arises, when it has to be done in 120 days, whether they can make the kind of investigation that this would appear to contemplate, and can do it accurately.

Senator MILLIKIN. I suggest that they are making it, and I suggest that by March 4 they will give the President their recommendation. And if anything comes to the President's attention that should not be considered, he does not have to pay any attention to it.

Mr. OGG. We have very high regard for the Tariff Commission, I want to emphasize this. We certainly favor the fullest use of the facilities of the Tariff Commission.

Senator MILLIKIN. The facilities of the Tariff Commission are available to anybody who wants to use them.

Mr. OGG. Yes, sir.

Senator MILLIKIN. Let me invite your attention again to your resolution. It seems to me that it expresses the proper solicitude for the domestic producer. Do you have any objection to the safeguarding principle that has been pronounced by President Truman and by President Roosevelt?

Mr. OGG. The escape clause, you mean?

Senator MILLIKIN. No, no; the basic principle on which we make these trade agreements, as far as importation is concerned is that our domestic industry should be safeguarded. Do you have any objection to that?

Mr. OGG. No; naturally we would be opposed to wrecking our own markets. That would be very foolish.

Senator MILLIKIN. That is right. And any procedure that will tend to assure that result would not meet with your objection, would it?

Mr. OGG. If it were done in a way that did not cripple the program, and its effectiveness.

Senator MILLIKIN. Now let me get into the "crippling of the program."

At the time that we passed the law of 1948, a number of countries had already joined the Geneva agreements.

Mr. OGG. Yes, sir.

Senator MILLIKIN. Thereafter, the rest of them came in and joined, until now we have 22 out of 23 of those at Geneva who have joined up. So there was nothing in that act of 1948 that crippled the reciprocal trade program. And at the present time there are pending negotiations for another 11. They have accepted our invitations to negotiate.

So there is nothing in the act of 1948 that has interfered with the expansion of that program.

Mr. OGG. Well, I think that is perhaps a question that the State Department or the Tariff Commission ought to answer rather than I, but it seems to me, Senator, that there is one thing that perhaps should be considered: When you say "crippling," I don' think that these restrictions are necessarily a barrier to other countries saying they are willing to sit down around the table and negotiate. I think the difficulties arise as to what we want to secure in the way of concessions, and what we are willing to give, and how we arrive at those determinations, and how we carry on the negotiations.

Senator MILLIKIN. Now let me put it to you this way:

Regardless of what the procedure might be, you would not want us to make reciprocal trade agreements that carried our tariffs below a point that would safeguard American industry; would you?

Mr. OGG. No, sir.

Senator MILLIKIN. Of course not.

Mr. OGG. I think that our people, as I have said in many of the resolutions over the years, would not wish to wreck our own markets. Because we recognize that that is our major market. On the other hand, the reason that we are supporting this program is that we feel it will give us a better domestic market. And unless we maintain our foreign outlets for our farm surpluses, we are going to be faced with a serious agricultural depression that will drag the rest of the country down. That is our view of it.

Senator MILLIKIN. I am not taking any issue with you on that. The reason we focused this thing on the Tariff Commission is because, although President Truman and President Roosevelt said, "We will safeguard domestic industry in the negotiation of these agreements," the State Department comes over here and again and again says, "We are taking calculated risks, and you will have to look to the escape clause to get out, if you can." And it seemed to us that that was not safeguarding domestic industry, and that is why we made that amendment in the law.

Mr. OGG. Of course, there are other safeguards that they can use, and we think should use, in the negotiation of these agreements.

Senator MILLIKIN. They cannot have too many of them to suit me.

Mr. OGG. That has been our position, that they should use these safeguards wherever necessary.

Senator MILLIKIN. They might have taken some teams of businessmen along who knew what they were doing.

Mr. OGG. I want to say this: I don't want to leave the impression, Senator, that the Farm Bureau has been in agreement with everything that has been done under this program. We have disagreed on several occasions, and have made recommendations that were not always accepted. But our recommendations, here, Senator, are the action of our delegate body. This is the considered opinion and judgment of our Farm Bureau people who elected them. And we hope you will consider them, as I am sure you will.

Senator MILLIKIN. We shall indeed.

The CHAIRMAN. Senator Lucas, any questions?

Senator LUCAS. I have no questions. I just want to congratulate Mr. Ogg for the statement that he has made. Coming from one of the great agricultural sections of the United States, I am very happy to know that the Farm Bureau is in accord with the President's program, here, on reciprocal trade agreements.

Mr. OGG. Thank you, sir.

Senator MILLIKIN. May I congratulate the distinguished witness, also, as a representative of the Farm Bureau, for having announced principles which, while reflected in law and proper enforcement will adequately protect the country.

Mr. OGG. Thank you, sir.

The CHAIRMAN. Senator Brewster?

Senator BREWSTER. I was interested in your statement about subscribing to the protective principle, the safeguarding principle, for American industry. What is your basis for that? That American production costs and the American standard of living are higher and therefore do require some protection?

Mr. OGG. What I said, I think, was that we would not favor wrecking our own markets; that we would not favor any action that would wreck our own markets. That is why we supported the escape clause. That is why we supported section 22. That is why we supported these other safeguarding provisions.

On the other hand, we do favor reduction of trade barriers including our own trade barriers.

Senator BREWSTER. To the point where they do not have detrimental effects on our production.

Mr. OGG. Because how are we going to maintain a market for these enormous surpluses of farm products that are going out of this country today if we are not able to import goods?

And we have an excess of 11 billion dollars of goods and services going out of this country compared with what we are bringing in. All of that has to be paid in dollars, as you well know, and unless they can sell more goods in this country to get dollars, they have no choice but to cut down their purchases of goods from the United States. And that is exactly what has happened today. It is of great concern that we solve this dollar shortage problem. Of course, it has been our

earnest hope that in the ECA program we could assist these countries in a long-term program to help correct that.

Senator BREWSTER. Your safeguarding theory is on the vasis that production costs in some instances abroad are lower than production costs here.

Mr. OGG. That would be, of course, a factor, necessarily.

Senator BREWSTER. So that is one of the basic things in which you have to proceed.

Mr. OGG. Yes.

Senator BREWSTER. Now, you recognize the quota principle as the most effective and perhaps one might almost say the only effective means of control under the present inflationary situation.

Mr. OGG. Well, no, I wouldn't think it would be the only means. Of course, you have exchange controls, and you have quotas. You have licensing.

Senator BREWSTER. Let us say it is the most effective.

Mr. OGG. I don't mean in this country; I mean in other countries.

Senator BREWSTER. It is the most effective means of control.

Mr. OGG. Yes; it has been so effective that it has shut out a great many of our exports.

Senator BREWSTER. I notice that you stress the escape clause as against the peril-point procedure.

Mr. OGG. Well, I wouldn't want to single out, Senator, or be construed as singling out the escape clause. We feel there are a number of safeguarding features that are quite important, not only the escape clause, but section 22.

Senator BREWSTER. What relief do you secure under that?

Mr. OGG. Well, if imports come in in such volume as to interfere with the effectuation of various agricultural programs, price support programs, or acreage adjustment programs, or marketing agreement programs, the President, after investigation by the Tariff Commission, may invoke quotas, or additional fees to offset the damage.

The CHAIRMAN. Has that been done, Mr. Ogg?

Mr. OGG. Yes, sir. In the case of wheat it has been invoked twice, I believe; and I think once or twice in the case of cotton.

The CHAIRMAN. Cotton; yes.

Mr. OGG. Cotton goods, in one case, and in the other case, I think, a certain type of raw cotton.

Senator BREWSTER. And those provisions both contemplate the investigation by the Tariff Commission and then action by the President.

Mr. OGG. Yes, sir. It is rather similar to the procedure under the escape clause, as I understand it, sir.

Senator BREWSTER. The period of crops is more or less an annual period; that is, the question of the effect upon our economy has to go more or less on an annual basis.

Mr. OGG. Yes, in most cases. That would not be true of dairying, of course.

Senator BREWSTER. I was interested that you stressed that 120 days was not sufficient for the Tariff Commission to make an adequate investigation to determine peril points. If that is true, how much more serious it is, if more time is required to determine upon the application of the escape clause in section 22?

Mr. OGG. If I said that, I didn't mean that in the way you took it.

Senator BREWSTER. Well, I will quote it: "120 days is too short a time for the Tariff Commission to function in this determination." Those were your precise words.

Mr. OGG. May I explain what I had in mind?

Senator BREWSTER. Yes, certainly.

Mr. OGG. I had in mind there the type of information that the Department of Agriculture is assembling all the time, both here and abroad. And I had in mind that unless they send out their own independent investigators into the field, or into foreign countries, and get that first hand, they necessarily must rely, to a considerable extent at least on the information already available in the Department of Agriculture. That is all I had in mind.

Senator BREWSTER. Well, do you have any reason to think that the Tariff Commission does not seek from the Agriculture Department information in a matter of this kind?

Mr. OGG. No, I am sure they do.

Senator BREWSTER. So that that is all instantly available to this scientific group.

Mr. OGG. Certainly.

Senator BREWSTER. And you stress the importance of the scientific approach in the matter of determining protection.

Mr. OGG. Then it becomes a question of which is a better one to evaluate, I think; the Tariff Commission, or the Department of Agriculture.

Senator BREWSTER. Well, as I think the Senator from Colorado has pointed out, the President has the final determination in any event, with all sources available to him.

Mr. OGG. That is true.

Senator BREWSTER. The Tariff Commission is simply charged by the Congress with the responsibility of determining what in their judgment is a peril point.

Mr. OGG. Yes, I think that is a correct statement.

Senator BREWSTER. Beyond that, full latitude still prevails.

Mr. OGG. That is correct.

Senator BREWSTER. Now, in how many instances have we quotas? Do you know?

Mr. OGG. Import quotas?

Senator BREWSTER. Yes.

Mr. OGG. Well, I mentioned wheat and flour.

Senator BREWSTER. Is that now in effect?

Mr. OGG. Yes.

Senator BREWSTER. What is that limit?

Mr. OGG. Well, I think it is 4,000,000 pounds of flour, and I believe—I am only depending on memory—possibly 10 or 15 million bushels of wheat, though I might be wrong about that.

I can obtain the figures for you, Senator, and put them in the record.

Senator BREWSTER. Will you do that?

(The information is as follows:)

The import quota for flour is 4,000,000 pounds annually. The import quota for wheat is 800,000 bushels annually.

Mr. OGG. Also, I believe, quotas have been imposed on cotton textiles. I am not sure whether those are quotas or fees. And I believe a quota has also been imposed on a certain type of raw cotton.

Senator BREWSTER. What is the limitation on cotton?

Mr. OGG. I don't recall. I could get it for the record.

Senator BREWSTER. Is it not quite restrictive?

Mr. OGG. Well, it only applies to one type of cotton, which is relatively small in importance.

Senator BREWSTER. You mean as to most types of cotton there is no restriction?

Mr. OGG. That is correct. There were some restrictions on cotton textiles. I am not sure what the present status is.

Senator BREWSTER. Would you get that for us?

Mr. OGG. I would be glad to.

Senator BREWSTER. And if you could give us a summary, if we have not already had it, I think that would be a good thing to obtain. Have you had put in the record the information on quotas?

Mr. OGG. The Tariff Commission could get it for you. I would have to get that from either the Tariff Commission or the Department of Agriculture.

Senator MILLIKIN. I would suggest, Mr. Chairman, that the Tariff Commission representatives, who are here, might get that for us.

Senator BREWSTER. I would like to have a statement of what quota limitations are in effect.

The CHAIRMAN. In effect at this time?

Senator BREWSTER. Yes; and how long they have been in effect and what they have been in the last 3 years, say, since the war.

The CHAIRMAN. Will you please prepare that, for us, gentlemen?

Mr. MARTIN. I will be glad to do it, sir.

The CHAIRMAN. Will you prepare it, and put in an accurate form as to all quotas, how long they have been in effect, and what quotas have been invoked, or imposed during the whole 3 years?

Senator BREWSTER. I thought we should have it since the war.

The CHAIRMAN. Since the war ended, anyway.

Senator MILLIKIN. Senator, I think you will find some interesting facts going beyond the war. Why limit it to 3 years?

Senator BREWSTER. You mean to take the prewar period?

Senator MILLIKIN. Yes, take whatever they have on the history of quotas.

Senator BREWSTER. I think the history of quotas is very interesting, from the standpoint of one who does believe in the protective principle.

(The information is as follows:)

USE OF IMPORT QUOTAS BY THE UNITED STATES

This memorandum is concerned with absolute quotas on imports, that is to say, quotas which are quantitative limitations on the amount of imports permitted to enter the country for consumption. It does not deal with so-called tariff quotas under which a specified quantity of merchandise may be permitted entry at a reduced rate of duty, imports in excess of the quantity not being prohibited but being subject to a higher rate of duty.

The United States has employed quantitative limitations as a measure of foreign trade control principally as a part of, or as a necessary supplement to, governmental programs for regulating internal operations. Quotas have been used in this country to but a small extent in comparison with most other countries.

Some of the commodities affected by this type of control, however, have bulked large in our foreign trade accounts and our various quotas have had important effects. Import quotas have been adopted both by direct congressional enactment and by executive action in pursuance of congressional authorization. In certain instances agreements to which the United States Government was not a party have also operated to impose quotas on imports.

Quotas under the industrial recovery program

The National Industrial Recovery Act of June 16, 1933, was designed to cope with the then existing emergency by promoting the organization of the various branches of industry. It authorized the adoption of codes of fair competition which included provisions for price stabilization, increases in wages, decreases in working hours, and the prohibition of various practices labeled as unfair competition. Section 3 (e) of the act authorized the imposition of fees or quotas on imports when found necessary by the President, after investigation by the Tariff Commission, to prevent such imports from rendering the codes ineffective or seriously endangering their maintenance.

In some instances the codes themselves provided for import quotas. The petroleum code was adopted on August 19, 1933, and on September 2 the Administrator (the Secretary of the Interior) ordered, in accordance with the code, that imports be limited to the level prevailing in the last 6 months of 1932. This level was much lower than that prevailing in earlier years as the worst part of the depression was then existing, and the United States had in June 1932 imposed an import-excise tax of 21 cents per barrel upon petroleum. The result of the import-control provisions of the petroleum code was to prevent imports from increasing above the depressed level existing in the latter half of 1932. Under the lumber and timber products code, imports of Philippine mahogany were restricted by quotas, and under the alcoholic beverage importing code imports were subject to quotas for a few months.

Many complaints and requests for restrictive action under section 3 (e) were filed with the National Recovery Administration. Fourteen of these presented prima facie cases with sufficient cogency to warrant formal investigation by the Tariff Commission. Seven of the investigations ordered were completed, and in four of them restrictive action was recommended to prevent imports from endangering the codes.

In the case of red cedar shingles it was recommended that imports be limited to a quota of 25 percent of domestic requirements. The Canadians restricted exports to this figure which obviated the need for action by the President under section 3 (e). The 25 percent approximated the share of the market supplied by the Canadians during earlier years, but during the years immediately preceding the quota imports had increased materially relative to domestic consumption.

For lead pencils and cotton rugs (imported principally from Japan) restrictive action was recommended either by way of increased tariff duties or by way of additional import fees and quantitative limitations. After the recommendations but before action by the President the Japanese restricted exports to the United States to specified quantities, with the result that no restrictive import action was taken by this country except that import fees were imposed on some types. In the case of matches, import fees were recommended but as a result of an increase in excise taxes on the types of matches which were the subject of the recommendation no import-control action was taken.

The legal authority to regulate imports under the codes of fair competition ceased to exist in the summer of 1935, as a result of judicial decisions holding unconstitutional the pertinent sections of the NIRA. Although no quantitative limitations were officially ordained by the United States under section 3 (e) of the act, the actions that were taken to restrict exports to the United States had results very similar to those which would have pertained had import restrictions been adopted. Further, the technique of controlling imports into the United States by limitations imposed at the source persisted after the National Recovery Administration had ceased to regulate commerce. In several instances the export controls were maintained by foreign countries for a considerable period and new controls based on a similar technique were adopted, as referred to hereinafter.

Quotas under the agricultural program

The Jones-Costigan Sugar Act of 1934 was designed primarily to increase the incomes of domestic sugar producers by providing for a system of benefit payments based on processing taxes and by increasing and stabilizing prices at

higher levels through the device of marketing and import quotas. The act provided for regular estimates of domestic market requirements and the allocation of the amount so determined by prescribed rules to the domestic beet and cane areas, Hawaii, the Philippine Islands, Puerto Rico, and Cuba, with minor quantities allocated to other sources. The quotas were imposed concurrently with the reduction of one-fourth in the rate of import duty on sugar so that the increase in domestic prices, coupled with a reduction in duty, inured to the benefit of both domestic and foreign suppliers in the form of increased returns. The share of the domestic producing areas was increased materially as compared with the previous decade. The share allotted to the Cubans was materially lower than the 10-year average (1.9 million short tons compared with 3.12 million short tons in 1924–33). It was, however, higher than the Cuban shipments in 1933 (1.55 million short tons). The share allotted the Philippine Islands was materially higher than the 10-year average (1.015 million short tons compared with 0.708 million short tons). It was, however, lower than the shipments from the Philippines in 1933 (1.93 million short tons).

The sugar quotas were continued after the processing taxes were terminated as unconstitutional, and the sugar program was reenacted in the Sugar Act of 1937 which provided for a manufacturing tax and benefit payments to farmers as well as marketing and import quotas. The quotas were continually in force from 1934 until April 1942 except for the period September 12 to December 31, 1939, inclusive. In April 1942 the effectiveness of the quotas was suspended because of the war emergency, but the enabling legislation has been continued in force. The quotas were reimposed under the Sugar Act of 1948, effective January 1, 1948.

The trade agreement between the United States and Cuba, which became effective September 3, 1934, provided for reduced duties on wrapper and filler tobacco, scrap tobacco, and cigars and cigarettes (all of Cuban origin) and also provided that the total quantity of dutiable tobacco and tobacco products from Cuba that could enter the United States for consumption in a calendar year should not exceed 18 percent of the total quantity (unstemmed equivalent) of tobacco used in making cigars in registered factories in the United States during the preceding year. The percentage allotted the Cubans was substantially the same as the ratio of imports of tobacco and tobacco products from Cuba to domestic consumption of cigar tobacco during the previous 10 years. The ratio of imports to consumption in the years immediately before the agreement had declined, and the agreement actually permitted an expansion of the trade. The continuance of the tariff concessions in the agreement was dependent on the continuance of the domestic cigar-tobacco adjustment program, and shortly after that program was terminated in 1936 the duty concessions and the import quotas on Cuban tobacco under the trade agreement were also terminated. Duty concessions have been made to Cuba under later agreements but were not limited by quotas.

In 1935 section 22 was added to the Agricultural Adjustment Act of 1933 to authorize the President to impose quantitative limits on imports of products when such action was found necessary, after investigation by the Tariff Commission, to prevent such imports from rendering ineffective or materially interfering with various agricultural programs under the Agricultural Adjustment Act. Later the law was extended to protect programs under the Soil Conservation and Domestic Allotment Act, and still later to protect programs under section 32 of the act of August 24, 1935, which set aside 30 percent of the gross customs receipts each year for certain agricultural promotion and subsidy programs. Originally section 22 specified that no quota should be less than half the average annual imports of the article in the period July 1, 1928, to June 30, 1933, inclusive. The base period was later modified to be January 1, 1929, to December 31, 1933, inclusive. In the Agriculturel Act of 1948, section 22 was amended to afford protection to all programs or operations of the Department of Agriculture. The base period previously specified for determining minimum quotas was eliminated and the President was given discretion to select a representative base period. A new provision was added to prevent restrictions under section 22 from being enforced in contravention "of any treaty or other international agreement to which the United States is or hereafter becomes a party." Two investigations had been ordered by the President under this law, and both have resulted in quotas on imports.

In 1939 the Tariff Commission investigated the relationship of imports to the cotton program under the Soil Conservation and Domestic allotment Act. Just before the investigation the Secretary of Agriculture had announced an export subsidy on cotton which promptly resulted in lower cotton prices in foreign markets than in the United States, and the Tariff Commission found that quotas on imports were necessary to sustain the cotton program. Careful consideration was given to the need of the domestic cotton-manufacturing industry for specialized types of imported cotton and the quotas were not made applicable to harsh cotton of less than ¾-inch staple, a type not produced in the United States. The quotas on other short-staple cottons were based on the average annual imports during the previous 10 years or the legal minima, whichever was greater. The quotas on long-staple cotton were based on the average annual imports for the two highest years of the previous decade or the legal minima, whichever was greater. Special provision was made in the quotas on spinnable cotton waste to insure supplies of card strips and comber waste made from cotton of 1 3/16 inches or longer staple, whiih were not produced in the United States in quantities sufficient to meet the demand. Originally the quotas were allocated to the various supplying countries on the basis of the previous imports from them. During the war certain exceptions have been made to the quotas to facilitate procurement of needed supplies, including the suspension of the country quotas on long-staple cotton in favor of a total global quota. In 1947, a global quota was imposed on short harsh cotton of less than ¾-inch staple. At the present time, all staples of cotton are subject to import quotas except cotton having a staple 1 11/16 inches or more in length. In 1947 and 1948, supplemental quotas were provided for long-staple cotton (1⅛ to 1 11/16 inches in length) because of the shortage of stocks in the United States.

In 1941, the Tariff Commission completed an investigation of the relationship of imports of wheat and wheat flour to the wheat program under the Soil Conservation and Domestic Allotment Act. Import quotas were found to be necessary to prevent imports from materially interfering with the program. The quotas adopted were much larger than the legal minima but considerably smaller that the abnormally large imports in the years 1934–37, a period in which domestic supplies had been curtailed by drought. Wheat and wheat flour unfit for human consumption were not included in the quotas. Of the total quota of 800,000 bushels of wheat, and 4,000,000 pounds of flour, quotas of 795,000 bushels of wheat and 3,815,000 pounds of flour were allocated to Canada. In 1943, the quotas were suspended with respect to imports by the War Food Administrator in order to assure adequate supplies needed for feed and for certain war industries, but the quota remains in effect with respect to imports for private account,

Miscellaneous quotas

After the outbreak of World War II in Europe, Latin-American coffee producers lost about 40 percent of their export trade and were faced with ruinous competition among themselves in the United States market. As a result, the Inter-American Coffee Agreement was negotiated and put into effect, imposing quotas on coffee imported into the United States and allocating practically all of the quotas to Latin-American countries (little more than 2 percent being allocated to other sources). The agreement undoubtedly has operated to bring tangible benefits to growers both by stabilizing what otherwise might have been a demoralized market and by effecting, in conjunction with other causes, an upward revision in prices. Furthermore, by means of import quota adjustments, rises in prices have been controlled or checked where they appeared too rapid or excessive; imports have been kept in line with increasing wartime consumption; and, when shipping to some countries was interrupted, increased shipments from more accessible sources were made possible to keep the market fully supplied. The term of the coffee agreement was originally 3 years, beginning October 1, 1940, but it has been extended by agreement among the contracting States for two additional years. The quotas on coffee were terminated in 1945.

In the Philippine Cordage Act of 1935, Congress imposed an absolute annual quota of 6,000,000 pounds for hard-fiber cordage from the Philippine Islands. This quantity was more than a million pounds below the average annual receipts from the Philippines in the years 1930–34 and nearly 5,000,000 pounds below the receipts in 1935 (which were abnormally large in anticipation of the quota).

The Philippine Trade Act of 1946 provided for preferential treatment on imports of Philippine articles: free entry until July 4, 1954; thereafter gradually increasing percentages of the United States duty are to be applied until full duties

are applicable on July 4, 1974. The act provided, however, for absolute quotas on imports of several important products. The annual quotas are:

Hard-fiber cordage	pounds	6,000,000
Sugar	short tons	952,000
Rice	pounds	1,040,000
Cigars	cigars	200,000,000
Tobacco	pounds	6,500,000
Pearl or shell buttons	gross	850,000

In the trade agreement with Canada which became effective January 1, 1936, the United States agreed to continue the duty-free entry of red-cedar shingles but reserved the right to impose a semiannual absolute quota on them equal to 25 percent of the combined domestic shipments and imports during the preceding 6-month period. This 25 percent approximated the share of the United States market which the Canadians had supplied over a considerable earlier period. Enabling legislation was adopted as section 811 of the Revenue Act of 1936, and the quotas were in effect from 1937 to 1939.

The second trade agreement with Canada, which took effect January 1, 1939, provided for a reduced duty on silver-fox furs. After the outbreak of the war in Europe, imports of these articles into the United States increased greatly, and there appeared considerable danger of the market's being completely demoralized. A supplementary agreement was negotiated with Canada which provided import quotas on silver foxes and silver-fox furs, effective January 1, 1940. The quota permitted the entry of 100,000 silver foxes and silver-fox furs a year, a quantity more than 150 percent in excess of the annual average imports for the period 1935–39, but represented a reduction of more than 25 percent from the 1939 imports. Details of the quota were modified in a supplementary agreement negotiated later in 1940, but the figure of 100,000 for annual imports remained in effect until the quota was ended, effective May 1, 1947.

Gentlemen's agreements

Although not technically a part of United States foreign commercial policy, because of lack of official imposition, the so-called gentlemen's agreements of the later 1930's need to be mentioned in this discussion of quantitative limitations. These agreements grew out of the practices instituted under the industrial recovery program whereby bothersome imports were controlled, not by increasing import duties or imposing import quotas, but by restrictions at the source: the country of export. In 1933–35, when the immediate question was whether this Government would impose import restrictions to support its internal program, Government officials participated in the negotiations to curtail the supply from abroad. After the legal authority under the National Industrial Recovery Act had ceased, those officials ceased to be parties to the negotiations but were informally consulted by the domestic interests seeking protection and by importers and other representatives of foreign exporters. In some instances, Tariff Commission investigations which might have resulted in increased tariffs were terminated or suspended after negotiation of gentlemen's agreements. Later agreements with foreign exporters were negotiated by private domestic interests without consultation with officials of the United States Government. Some agreements have been made public by their sponsors; others have been kept secret and have not been made available even to Government officials dealing directly with foreign-trade controls.

The Japanese export restrictions on lead pencils and cotton rugs, imposed during our national recovery program, were continued after the end of that program pursuant to gentlemen's agreements. The restriction on lead pencils was terminated because of the practical disappearance of imports from Japan, but the agreement on cotton rugs was continued until 1939.

Agreements were negotiated with respect to cotton cloth, cotton hosiery, cotton velveteens and corduroys, cotton fishing netting, and slide fasteners (zippers). Prior to the agreements, imports of all these products had been increasing rapidly and had reached considerable proportions. In two cases (cotton cloth and slide fasteners), imports continued their rapid climb notwithstanding increases of nearly 50 percent in tariff duties. The quotas agreed to were generally less than the imports immediately preceding the agreements but much larger than the average imports over the previous 5 years. Cotton cloth is a notable exception to this rule in that the quota was larger than any previous import; this quota was not filled during the life of the agreement. Due principally to transshipments from China and Canada, the quota on cotton velveteens was exceeded by nearly

100 percent during its first year of operation, but the following year shipments fell off more than three-fourths. The quotas for the other products referred to above were not filled during their effective periods.

Watches

As a result of representations from domestic watch producers that they were being adversely affected by imports, the United States Government entered into consultation with the Swiss Government with a view to limiting shipments of Swiss watches to the United States. In April 1946, an exchange of memoranda took place between the two Governments under which the Swiss agreed to limit shipments during the calendar year 1946 and the first 3 months of 1947. The 1946 shipments were not to exceed the total shipped in 1945, and the shipments in the first 3 months of 1947 were to be on a pro rata basis. Because of the complexity of the subject, it is not possible in this memorandum to treat all the details, but further information is available at the Tariff Commission if the committee desires.

Mr. OGG. Now, our support of this section 22 is conditioned only on the proposition that we ought to have a way by which we can safeguard our economy in agriculture against conditions that would wreck our domestic market, and defeat the purpose of these agricultural programs which Congress has enunciated. So, I would not want you to get the impression that we are in favor of using import quotas. Generally, we are in favor of getting rid of them as much as possible. But there are some circumstances where we think they should be invoked.

Senator BREWSTER. And you would not deny to industry the protection which you do desire for agriculture.

Mr. OGG. Well, I do not think that I could speak for industry.

Senator BREWSTER. I mean as a citizen you would not ask special preference for agriculture.

Mr. OGG. Well, I think that is a policy question, Senator, and I would rather not answer that, except to say that I think I could make a pretty good case for special consideration of agriculture, within a limited field, because of the special difficulties that farmers have in producing and marketing their crops, and the greater difficulty they have to regulate their price and their production. The large corporation can adjust its production very quickly to meet market requirements. The farmer, as you pointed out, produces on an annual basis. There are 6,000,000 units. There are a lot of things about agricultural production that I think do deserve some—I don't like to use the word "special"—some separate consideration. Also, the fact is that food is one of the essentials of life. We want to maintain a high level of production if we can. And, in doing that, the farmers have made a contribution to society; and, therefore, I think that, in following a policy of abundant production, they should have some safeguards that an industry which does not follow that policy would not need.

Senator BREWSTER. I did not mean in any way to challenge the peculiar position of agriculture in our economy, which is, of course, very generously recognized in the support program, and in other ways.

Mr. OGG. That is true.

Senator BREWSTER. And it would only be in cases where the circumstances were parallel that the point would apply. My point was that, if you were going to have the protective privileges, and if the most effective means of securing the protection requires quotas, then I do not think we should confine it exclusively to agricultural products.

Mr. OGG. Well, as I understand it, in the Geneva agreement, and also in the ITO charter, there are some exceptions made, wherein they may invoke quotas both for industrial commodities and for agricultural commodities. But agriculture does have some special provisions.

Senator BREWSTER. I would certainly be the last to challenge the interest of agriculture, as we have about 20 percent of the potatoes produced up in our country. And it was only through very drastic action by the President, which I want to cordially commend, that our whole potato economy was saved from further collapse, which is costing the Government around $200,000,000 this year, and would have cost it much more if the insane policy of permitting the continuance of Canadian imports had continued. And that situation became so critical that the President, disregtrding escape clauses and everything else, forced action on a quota; for which we were very grateful.

But when the idea was advanced that it required Executive action of that character, entirely outside section 22, and also the escape clause, in order to save us from a very serious disaster, it occurs to me that we should not remove any of our present protections.

Mr. OGG. Well, now, that is what I had reference to, Senator, earlier, when I said that there are other safeguards which can be used under the old procedure and can be used under the new; such as a quota in relation to the concession that is made. In other words, let us suppose we are going to make a concession on a given commodity. We would limit that concession to a given quantity of imports, above which the old rate would apply. That has been done on a good many commodities.

Senator BREWSTER. Well, that was done in the case of potatoes right now.

Mr. OGG. Yes.

Senator BREWSTER. And under the reciprocal trade agreement. But that was found utterly inadequate to protect us from the inundation which was occurring.

Mr. OGG. Well, at some times, those things have to be revised.

Senator BREWSTER. And the experience, I think, in that and other cases has shown that, rather than removing any of our present provisions, we probably ought to strengthen them. In that instance it was done entirely by diplomatic means; which are an unfortunate and rather tragic resort, because you have to go to a very high level to get it.

Mr. OGG. I think there is a difference as to your ability to get those changed, when you can show cause of injury rather than a mere threat of industry. I think you have that problem, of course.

Senator BREWSTER. And that would be true in agriculture particularly. By the time the imports arrived, the domestic fellow might be ruined.

Mr. OGG. Yes, if they delayed too long. But certainly, I think, it is obvious that procedures should be established whereby we can get relief promptly under the escape clause. I certainly think it would be a great mistake to follow any kind of procedure that would result in undue delay.

But, as I understand it, the President can act quickly. I mean, there is nothing in the law, as I understand it, that would even prevent him from suspending temporarily a duty, without even waiting for the Commission's report, as far as that is concerned.

Senator BREWSTER. But that is something other than a scientific approach.

Mr. OGG. But again, I think in a case such as you speak of, if in fact a domestic industry is in danger of being wiped out, he certainly would be justified in acting quickly; and he should.

Senator BREWSTER. You stressed these exceptions to the quotas and others in the Geneva agreement, and the ITO also, that there were exceptions contemplated to cover cases where quotas and other restrictions might be applied. Quotas were banished except, as I think your exact words are, "in specified cases."

Mr. OGG. Yes. That is my understanding.

Senator BREWSTER. Is it not true that practically all of those cases are ones to which the United States economy would find it very difficult to repair?

Mr. OGG. No; I don't understand it that way, Senator.

Senator BREWSTER. Well, take the exchange restriction. We are not having any shortage of exchange; are we?

Mr. OGG. No.

Senator BREWSTER. We cannot oppose it on that ground.

Mr. OGG. No; but, of course, we get pinched the other way. The rest of the world is all short of dollars now, and we are being pinched right now.

Senator BREWSTER. All of the rest of the world can very readily resort to these quotas, because they come easily within the terms of the Geneva and Habana agreements. We are in quite a different and quite an exposed position.

Mr. OGG. That is why it seems to me that we have gained a great advantage when we get the rest of the world to agree to refrain from these practices, except under agreed conditions, one of which is the balance-of-payment difficulties.

Senator BREWSTER. Except under conditions to which every country in the world can resort except the United States; under conditions today, and, so far as we can see, in the future.

Mr. OGG. We also have this exception, in the case of agricultural commodities, and, of course, there is a general exception on economic development.

Senator BREWSTER. Well, now, on your agricultural commodities: That was the support program that you refer to.

Mr. OGG. Yes, in the Geneva agreement, there is an exception in the case of agricultural commodities.

Senator BREWSTER. Where you have a domestic support program.

Mr. OGG. Yes. It is actually in a case of production controls or subsidy programs.

Senator BREWSTER. Yes.

Now, we have 150 agricultural commodities which are not under such programs. So those would all be exposed. The five or six major crops—and potatoes are one of them—would come within this category. But all the lesser crops might well be exposed to this competition.

Mr. OGG. I believe the language is: In order to safeguard domestic programs (1) which curtail or limit or restrict either production or marketing, or (2) where we are subsidizing consumption in order to help remove a domestic surplus. So if a surplus becomes so serious that either the Government secures a marketing agreement or an acre-

age adjustment program or a subsidization of consumption, our Government could invoke this escape, as I understand it.

Senator BREWSTER. You make the statement, on your page 3 that we must—

develop the foreign trade on a sound basis, wherein the goods that we can produce advantageously are exchanged for the things which this Nation needs which can be produced advantageously by other nations.

Now, what do you mean by "advantageously"?

Mr. OGG. Well, where they are equipped to produce efficiently, or have some product that they are skilled especially in producing, that we need and could usefully consume or utilize. That was the general idea.

Senator BREWSTER. Well, I wonder when you say "advantageously," if you mean rather "economically."

Mr. OGG. That would be another aspect of it; yes, sir.

Senator BREWSTER. In other words, if some other country could produce more cheaply than we, we should then allow them to do it?

Mr. OGG. Yes; if we can use it here without wrecking our market, it would be of great advantage to us to do that.

Senator BREWSTER. Well, if you use the word in the same sense, then if they can produce something more cheaply than we could produce it, they should be allowed to bring it in.

Mr. OGG. If you notice, I said in my statement, "which this Nation needs."

Senator BREWSTER. That means quota, anything which we are short of.

Mr. OGG. In other words, we have this great movement of goods going out of this country now, helping to maintain our employment, and we are filling the gap now with appropriations, in the ECA program, which we are for. But what is going to happen when that ends? If they do not attain the earning capacity abroad to earn dollars by selling us goods or services, one or the other, are we not going to suffer a very heavy loss in our exports when we stop making loans and grants?

Senator BREWSTER. Well, you recognize the very abnormal conditions today, when we are advancing from 5,000,000,000 to 10,000,000,000 a year to foreign governments in order for them to purchase our goods.

Mr. OGG. It is abnormal.

Senator BREWSTER. You do not expect any such disparity is going to continue.

Mr. OGG. Not at those peak levels; no, sir.

Senator BREWSTER. We have got up now to 7,000,000,000 of imports, which is considerably above anything we had ever known before. And I guess our peak has been about 10 percent of our production that has been involved in our foreign trade.

Mr. OGG. Well, yes. But I call your attention to Chart 1, which shows that the volume of imports since about 1938, and particularly since 1941, has been relatively far below the volume of industrial production.

Senator BREWSTER. I do not suppose you would take the period from 1940 to 1945 as in any measure having any application whatsoever to anything, would you?

Mr. OGG. No, but it has been true since 1945. When you take any long period, normally your imports go up and down with industrial production.

Senator BREWSTER. I throught the whole theory was that we were spending $20,000,000,000 in Europe because they were not able to produce. So I don't think you can take the recent records of this thing. In fact, those for the last 20 years are very questionable.

Mr. OGG. The only purpose in calling attention to that is that the total volume of our imports now is relatively smaller, in relation to the total volume of industrial production, than normally.

Senator MILLIKIN. If I might interject there: I think the witness has testified that he would not permit any importations which would seriously injure domestic industry. I am correct in that; am I not?

Mr. OGG. Well, I think I made a statement along that line: That we would not want to wreck our own markets. Now, on the other hand, we recognize that if we want to have a profitable market here in America for the goods of the farm and the goods of industry, we must be willing to import more goods to maintain the purchasing power abroad, or at least to make it possible not only for us to have a market, but a good market, here.

In other words, unless we buy, we can't sell; and if we don't sell, we are going to take a terrific licking in agriculture.

Senator MILLIKIN. I suggest the whole question is: Are you willing, under those circumstances, to injure domestic industry in the process?

Mr. OGG. Oh, no; we are not in favor of wrecking our industries at all.

The CHAIRMAN. We have a couple of witnesses we would like to hear before we adjourn. Senator Brewster, do you have much more?

Senator BREWSTER. I am sorry I am taking so much time, but I think as to this farm organization representing such a considerable segment of our industry, their position is very important. I represent both agricultural and industrial production on a fairly major scale; and I think we have to go along together.

I am sure that you do not intend, as representing agricultural interests, to indicate, as Senator Millikin pointed out, any intention to sacrifice industry to agriculture. We all have to protect America today.

Mr. OGG. No, sir; in fact, we have appeared, Senator, in several hearings to oppose some proposed concessions.

The CHAIRMAN. Any further questions?

Thank you, Mr. Ogg.

Mr. OGG. Thank you, sir.

The CHAIRMAN. Mr. Russell Smith, representing the National Farmers Union, was scheduled to be heard today. However, the chairman has been advised that Mr. Smith is unable to be here.

The next witness is Mrs. Oscar Ruebhausen, representing the League of Women Voters.

Mrs. Ruebhausen, will you come around, please? Do you have a statement to make, here, for this record?

STATEMENT OF MRS. OSCAR RUEBHAUSEN, LEAGUE OF WOMEN VOTERS OF THE UNITED STATES, WASHINGTON, D. C.

Mrs. RUEBHAUSEN. Yes.

The CHAIRMAN. You may proceed as you wish.

Mrs. RUEBHAUSEN. The League of Women Voters of the United States, representing 630 leagues in 34 States, urges this committee to report favorably H. R. 1211. The league hopes to see the Trade Agreements Act renewed for at least a 3-year period, in the form which was in effect prior to June 12, 1948.

The League of Women Voters has been concerned with tariffs and trade since 1924, when these subjects first appeared on our program for study and consideration. Since 1936, the league has supported the reciprocal trade agrements program as a sound trade policy for the United States. League support for these principles has continued since that time, and was reaffirmed most recently at our biennial national convention in Grand Rapids in April 1948.

The league has for many years put particular emphasis on building sound economic foundations for peace. The lowering of trade barriers and the increase in commerce between nations is in our opinion one of the keystones of a healthy world economy. Because of the leading position of the United States, the willingness of our Government to reduce its trade barriers is of vital importance to the future of world trade.

The United States must prepare to accept more imports if we are to continue to export on a large scale. Our domestic economy is geared increasingly to world markets. The nations of Europe that we are helping through the European recovery program will not be able to pay their own way unless they can earn dollars to buy the goods they need from us. They can earn these dollars only if the United States imports.

The Trade Agreements Act, in the judgment of the League of Women Voters, has proved itself over a 14-year period to be an effective instrument of United States policy. Its renewal is necessary if the United States is to play its vital part in increasing world trade.

The League of Women Voters believes that the act should be renewed for a 3-year period. Since negotiations must be prepared for and carried out over many months, authorization for more than 1 year is clearly needed. The league also objected to the form in which the act was renewed last spring. By separating the Tariff Commission from the Interdepartmental Trade Agreements Committee and assigning it a new role with added responsibilities, the act gives, in our judgment, increased weight to protectionist interests. The league believes that our national welfare will be better served by returning the Tariff Commission to its previous position so that the interest of particular segments of American industry and agriculture will be weighed together with the over-all interests of the American public in deciding on tariff reductions to be offered.

We respectfully request your favorable action on H. R. 1211.

And I wish to say that the Women's Action Committee for Lasting Peace has indicated that they endorse the statement and would like to have their name added to this statement in favor of H. R. 1211.

The CHAIRMAN. Thank you very much.

Do you have any questions, Senator?

Senator MILLIKIN. I would like to ask one or two questions.

I notice you are asking for a 3-year extension. The principal part of world trade has already been covered by the Geneva agreements, and the others preceding it. Negotiations have been invited for 11 additional countries. A representative of the State Department testified yesterday that those will commence, I think, April 1, and he expects them to be concluded within 3 or 4 months. What particular reason do you see for a 3-year extension?

Mrs. RUEBHAUSEN. I think a 3-year extension gives more permanency to the program. I think it is less upsetting to other people. I think it is a terrible nuisance to have to come back every year and go through this process of hearings, when you haven't really had time enough to determine what your preceding program meant.

It would be just as difficult as if you had to stand every year for election for the Senate. I don't think that is a long enough time to determine whether your program has been effective or not.

Senator MILLIKIN. First, let me say that I would not like to stand for the Senate every year. There we are in complete agreement.

You understand that this is a congressional responsibility, primarily, and that whatever power the President has is delegated to him by the Congress.

Mrs. RUEBHAUSEN. Yes; and since last June I don't think you have really had time enough to determine how effective the whole program that you adopted last year has been. Therefore, a year is not really time enough; because you have to start considering the renewal a good 3 or 4 months prior to the time the year expires.

Senator BREWSTER. If it has not been time enough to determine it, why are you so clear that the program is wrong?

Mrs. RUEBHAUSEN. I am clear on the principle of it.

Senator BREWSTER. But you said that the year had not been sufficient to determine whether or not it functioned effectively.

Mrs. RUEBHAUSEN. The year has not been sufficient, in my opinion.

Senator BREWSTER. Then why are you so anxious to discard it?

Mrs. RUEBHAUSEN. We are, as we say, against the policy-making power that is now in the hands of the Tariff Commission. I do not think that the year has been long enough to determine whether they will make good peril points or bad peril points; they haven't even been determined yet. But I think the principle is all wrong, because it gives undue emphasis to one aspect of the problem. There are many facets to the problem of trade agreements; not just this one.

Senator MILLIKIN. I would be prepared at this time to suggest a 1-year extension. Maybe I shall offer such an amendment. But in view of the importance of this, as you have claimed in your statement, and since it is primarily a congressional responsibility, it certainly would do no harm to have an annual review of what has been going on.

Now, I would like to make another point. You have heard the testimony this morning. It has already been developed that after this 1948 act came into effect, there was a rush of all these countries at Geneva to sign up. We have 22 out of 23 signed up. There was no hesitancy in going ahead with the other 11 countries to be taken in, which have a very inconsequential part of the world's trade, taken all together. But nevertheless the 1948 act has not stopped the operation of the reciprocal-trade program in any respect. And they will

have an opportunity to complete their 11-country agreement before this act expires, even under the present 1-year term.

Mrs. RUEBHAUSEN. Yes. Well, the trade-agreements program has gone on. But I think it gives more permanency to negotiation with other nations if they know that it is going on for 3 years rather than 1. If you make amendments every year and change your procedures every year, it is very upsetting.

Senator MILLIKIN. Well, the end point is that we were told last year that this is a very upsetting thing to do, that we were breaking the heart of the world, that everything was going to collapse, that foreign nations would lose confidence in us, that they would regard this as an abandonment of our foreign policy.

Now, the fact of the mater is that none of those things have happened, not a single one.

Mrs. RUEBHAUSEN. I still think that it is very difficult, though, to have a program voted on every year, a program of this nature. Because you don't have time, during the space of a year really to evaluate the effect of the changes that you made the last year.

Senator MILLIKIN. Well, a yearly review on an important subject of business is not a bad policy.

The CHAIRMAN. Are there further questions?

Senator BREWSTER. Have you attended the hearings so far?

Mrs. RUEBHAUSEN. Just this morning.

Senator BREWSTER. Well, every witness who appeared here so far has proclaimed his devotion to the principle of protection. Do you share that? That seems to be one of the ten commandments.

Mrs. RUEBHAUSEN. Yes, I think witnesses in espousing the cause of protection, are often limited. I would like to make my espousal a very broad one. I think you should consider protection of all industries which are producing. And by that I don't mean just agriculture, or just shoe manufacturers, or just a particular interest. I mean exporters as well as importers.

Senator BREWSTER. And that might involve a determination of what was more important, an export industry or an import industry.

Mrs. RUEBHAUSEN. It might well involve that.

Senator BREWSTER. Where is your home?

Mrs. RUEBHAUSEN. New York City.

Senator BREWSTER. Well, there might be an industry in New York City which might have to give up some protection in order to help an industry, let us say, in California. That would be your procedure.

Mrs. RUEBHAUSEN. My criterion would be that you think of the national welfare ahead of any specific industry's welfare, or any specific named manufacturer's welfare. I think the good of the country comes first.

Senator BREWSTER. And how would you determine that good, taking a specific case? We have had here the glove case, for instance. There are some gloves from Japan involved. If it appeared to you that perhaps some thousand employees of the glove industry were going to be thrown out of work, what would you trade for that?

Mrs. RUEBHAUSEN. I would want to go into that very carefully, and I would want to see what we were exporting to Japan, whether we thought if we took these imports that it was actually in competition with our own glove manufacturers. The case you cited sounded to me as though they were so cheap they would not be in competition.

Senator BREWSTER. You would not want to wear them, probably.

Mrs. RUEBHAUSEN. Maybe I wouldn't.

Senator BREWSTER. But they still evidently would have a market for someone who was less fortunate.

Mrs. RUEBHAUSEN. They might have a market for people who had never been able to have gloves before. So they might not be in direct competition with people who were buying gloves already. Maybe it would be people who had never worn gloves. You would want to determine exactly what that was.

Senator BREWSTER. And I think you are the first one who has very definitely stated that you might have a lack of protection which would adversely affect a given American industry. There might be cases in which you would permit that?

Mrs. RUEBHAUSEN. Yes. By protection, I mean protection of all industries. I don't mean a specific industry.

Senator BREWSTER. Well, you take a more comprehensive and cosmopolitan view. I suppose that is what you meant by objecting to this present act because it gave increased weight to protectionists' interests. That sounds a little sinister.

Mrs. RUEBHAUSEN. No; I think that while the reason that this program comes before this committee is because it is a revenue producer, I don't think that you should look at it solely in terms of revenue producing; nor do I think you should look at it solely in terms of your domestic producers who are in competition with things which might be imported.

I think you have to look at it from the over-all point of view, which is our national defense, our exporting, our importing, even the consumer. I think all of those things have to be brought into play. Therefore, I think it gives a very peculiar emphasis just to single out one thing and say, "This is all we are interested in." Because to me the program has much broader aspects.

Senator BREWSTER. You understand that is precisely what the act does not say. We should say that there should be a scientific determination; and the League of Women Voters, historically, as I know full well, were the earliest exponents of the scientific approach, as against the log-rolling approach.

Mrs. RUEBHAUSEN. That is correct.

Senator BREWSTER. So let us stick to the scientific principle.

Now, we ask that there be a scientific determination of the peril point. That, however, by no means concludes the matter, as I am sure you are aware. You understand the President has full power to disregard that absolutely. The only thing he has to give is his reasons on which he bases it. Would you consider that an undemocratic procedure?

Mrs. RUEBHAUSEN. I still think it gives an emphasis to one aspect, where what you want is the broad emphasis. Particularly in the minds of the public who read that peril points have been established, I think you don't educate them to understand that there are these other aspects, which are important and should also be considered.

Senator BREWSTER. I think the act very carefully recognizes that national and other considerations may well enter in, and international considerations. All of those are within the purview, necessarily, of the President, and his very competent advisers in the State Department, the Agriculture Department, and so on. But whether

or not a given American industry may be sacrificed, we feel should be scientifically determined. And I am a little surprised that the League of Women Voters, who have taken so nonpolitical and nonpartisan an approach—I think Mrs. Brewster has been a member a long time—should abandon that approach.

Mrs. RUEBHAUSEN. Oh, I think you misunderstand me, Senator Brewster. I would not say that we had abandoned the approach that there should be a very careful and thorough appraisal of all of the tariff concessions which are going to be negotiated.

Senator BREWSTER. Have you followed the procedures here in these cases? During the early stages of that, we were utterly unable to find out who determined them, or by what means they determined them. It was only after a tremendous controversy that we could even get the names of those who were on these commissions, and who were proceeding. In other words, it has been conducted behind a mask of a great deal of secrecy, which has been a matter of increasing concern to all those interested in American industry and agriculture.

Senator MILLIKIN. May I interrupt? Yesterday they refused to give us the minutes of the Interdepartmental Committee.

Mrs. RUEBHAUSEN. On the whole, on a matter of balance, I think you have to judge what the program has done. And I do not feel that it has hurt American industry.

Senator BREWSTER. Now, that is very interesting. Do you feel that the last 16 years have been a typical period in our economy?

Mrs. RUEBHAUSEN. I think we have had everything; we have had inflation, deflation, war.

Senator BREWSTER. Do you think the question of whether or not tariff reductions would adversely affect our economy has had any fair trial during the last 16 years?

Mrs. RUEBHAUSEN. Well, as I say, I think we have had all kinds of different conditions.

Senator BREWSTER. We have had them for the first 8 years, anyway. I am sure you are old enough to remember that. We had a depression here, from 1932, perhaps a little earlier, to 1940; and then we had a world war. Now, do you think that during those periods, we had any fair test of the principle of protection in our industry?

Mrs. RUEBHAUSEN. Well, particularly during the depression, as you well know, we raised tariff barriers and tried to protect our own industries. In 1930, the Smoot-Hawley tariff came in. According to my view the depression started in 1929.

Senator BREWSTER. Yes; I think that is right. And the Smoot-Hawley tariff did not come in until 1930. So I am sure you would not attribute it to that.

Mrs. RUEBHAUSEN. No; I wouldn't attribute it to the Smoot-Hawley tariff.

Senator BREWSTER. For 7 years following it, from '33 to '40, the power to reduce all tariffs by 50 percent was in the hands of the administration, and still we had 8,000,000 unemployed in 1940. So apparently it had not cured the depression. Is that right?

Mrs. RUEBHAUSEN. Well, I don't think that anybody would ever say that trade agreements in themselves can either make or cure a depression. Because there are so many other factors involved. They are a facet, and they play a role in it. But no one thing has a determining role.

Senator BREWSTER. Well, I think you will find, if you examine it, that most students are agreed that from 1930—I will join you at 1930 or whatever period you want—down to very recent months, there has been no fair test of the effect of the impact of these reductions. You have gone from around 59 percent down to around 13 percent. And now we are beginning to find out the consequences. We are just emerging. And I hope that your group, for which I have very high respect, will follow this situation very closely and make sure that your conclusions correspond with the realities of unemployment, that are a very ugly cloud now on our horizon.

Mrs. RUEBHAUSEN. That is what we try to do in our groups, to understand that the causes of unemployment are not just one thing, but that there are many, many factors pressing on the situation. And we try to take that over-all point of view.

Senator BREWSTER. I very much appreciate your testimony.

The CHAIRMAN. Mrs. Ruebhausen, we appreciate your appearance. Thank you very much.

Mrs. RUEBHAUSEN. Thank you, Senator.

The CHAIRMAN. Mr. Millin?

STATEMENT OF F. E. MOLLIN, EXECUTIVE SECRETARY, AMERICAN NATIONAL LIVESTOCK ASSOCIATION, DENVER, COLO.

Mr. MOLLIN. Yes, Mr. Chairman.

The CHAIRMAN. You are representing the American National Livestock Association?

Mr. MOLLIN. Yes, sir.

The following resolution was adopted on January 13, 1949 by the American National Live Stock Association at its fifty-second annual convention held at North Platte, Nebr.

Whereas the increasing imports of many agricultural products, including livestock and meat products, emphasize the importance of providing the United States Tariff Commission with authority to take quick action whenever needed adequately to protect American agriculture; and

Whereas the Reciprocal Trade Act will expire on June 30, 1949: Therefore, be it

Resolved, That we urge the Congress, if it extends the act, to clothe the United States Tariff Commission with the power needed to proect agriculture from a flood of imports that would prevent stability in operations of domestic producers.

Our assocation has always believed in a tariff policy that would protect the producers of this country when domestic supplies are heavy and prices depressed and conversely would protect the consumers when domestic supplies are light and prices relatively high. We believe that this is a sound policy for our national economy and that as world conditions become more normal, with the production of agricultural products and manufactured goods on the increase, it will be impossible to maintain the high wage levels and the high standards of living which obtain in this country today unless we adhere to such a policy. We have watched closely the development of the reciprocal trade program which started soon after the passage of the original act in 1934. We have felt that it has not been administered in a fashion which would help protect the economy of this country in the manner referred to above. It is apparent that many tariff reductions have

been made that were not necessary to comply with the language of the original law. In other words, they were no barriers to trade. Such reductions have been made in many instances with countries which were not the principal producers of given commodities although originally it was stated that this method would be followed. The practice of rather indiscriminate cutting of tariffs, together with the most-favored-nation clause, has had the result of sharply reducing tariffs all along the line, whether or not such reductions were necessary or desirable from the standpoint of future protection of American agriculture and industry.

The method of holding hearings in our opinion does not afford a fair and reasonable opportunity to representatives of industry and agriculture to have the merits of their positions in trade matters fully considered by the officials who actually write the trade agreements. We refer to the hearings before the committee for reciprocity information. It does not appear to us that the members of this committee have been charged with the responsibility of protecting the interests of the various American groups on matters under consideration; for example, it would be assumed that the representative of the Department of Agriculture would be particularly concerned witgh the effect of tariff reductions on agricultural products. It has been our observation that with but one or two exceptions this has not been the case. Generally, the representative of the Department of Agriculture has appeared to be entirely in sympathy with the general program of tariff reductions and the trend toward a free-trade basis.

It is our belief that we are just approaching the first real test of the Reciprocal Trade Act. The agreements originally made had only been in effect a short time before nations of the world began to stock pile in anticipation of war. Then came the war period itself and a period of several years after the war, when there was a world-wide shortage of goods and services and when the tariff as such had little if any effect upon export trade of the world. That situation no longer obtains. World shortages are turning into world surpluses. It is no longer a seller's market but a buyer's market. Under these conditions it seems more important than ever that there should be some check upon the executive authority to make trade agreements; that this check should be an agency of the Government empowered to keep in constant touch with the international trade situation and to be able to function quickly to grant relief to industries which are threatened with serious economic loss because of a continued flow of competitive imports.

The limited check placed upon the Executive authority in the Extension Act of 1948 was a step in the right direction. We believe that as a minimum, in the present extension now under consideration, this provision should be continued and if possible, made stronger. Surely, the United States cannot be criticized for endeavoring to protect its own economy nor will the world benefit if it fails to do so. The sudden change in the export and import situation to which I have referred may be well illustrated in our own industry. The imports of canned beef, including corned beef for the calendar year 1948 exceeded 129,000,000 pounds, far the heaviest importation of such product in our history. These imports were particularly heavy during the period from August to November, inclusive. In that 5 months' period well over 50 percent of the total for the year came in. This would be the equivalent of about 650,000 cattle.

The Canadian ban against exports to the United States was raised on August 16, 1948. From that time until December 31, the Canadians reported exports of 84,735,009 pounds of dressed beef and veal. Our Department of Agriculture converts this back to a cattle basis as representing about 180,000 head. The Canadian exports of beef cattle to this country for the same period were 214,380 head. The exports of calves for the same period were 23,869 head. These figures do not include cattle of the dairy type or purebreds intended for breeding purposes. All together, dressed beef and veal—as converted—cattle and calves, the total export by Canada for the period shown amounts to approximately 445,000 head. The quota provisions of the Canadian trade agreement are in suspension because the President has not yet declared the war emergency to be at an end. Had these provisions been in effect they would have insured better distribution of the imports which would have been for the benefit of both the Canadian cattle producers and the American cattle producers. It seems entirely unreasonable that no matter what main reason for the continuation of the extraordinary powers granted the President, these quotas should longer remain in suspension.

There are many signs that we are approaching a critical period in the economy of this country. Production of agricultural products and many manufactured products are increasing throughout the world. We believe a grave responsibility rests upon the Congress of the United States today to take such action as will adequately protect American industry, labor, and agriculture, and we urge that this be your first consideration in framing the Extension Act. Any further gains in international trade should not be at the expense of American producers, especially those whose production is adequate to the domestic needs of this country. No useful purpose is served by encouraging imports that will injure one domestic industry in order to benefit some other domestic industry engaged in export trade.

For the reasons above stated we strongly urge that the restrictive provision on the Executive authority contained in the present act be continued and made stronger to give assurance that the interests of American agriculture and industry will be fully protected. It has been stated that this provision will hamper the President in negotiating trade agreements in the future. That cannot be possible except in cases where the negotiations of such trade agreements would be harmful to American producers. We insist that from now on the interests of American producers should be paramount and that the foreign trade of this country cannot rest upon a solid foundation unless that principle is the first consideration of the framers of our tariff policy.

Now, Mr. Chairman, I would like to make a few observations. It will not take very long.

The CHAIRMAN. It will not?

Well, I was going to suggest that maybe we had better either come back this afternoon and hear you, or bring you on in the morning. But if your observations will not be very long, that will be all right.

Mr. MOLLIN. I don't think it will take over 10 or 15 minutes.

Senator BREWSTER. You are not planning to go on, then, this afternoon, Mr. Chairman?

The CHAIRMAN. No.

Mr. MOLLIN. I would rather finish, then, now. I am going home tomorrow.

The statement that I have put in the record, Mr. Chairman, shows the historic position of our association with regard to the tariff and the reciprocal-trade program in general.

A few observations I want to make deal somewhat with the testimony that has been brought out this morning, which leaves some questions in my mind.

One thing has been stressed, is that we must increase the imports into this country. It strikes me that inasmuch as during the last few years we have had the greatest national income of all time, with tremendous consumption of not only agricultural products, and food of all kinds, but of other products, it is a mystery to me how we are going to go about it to make this tremendous increase in imports that we hear about. It sounds all right, but when you get right down to the reality of it, it doesn't seem to me that it is very practicable.

In my statement I call attention to the substantial increase in importations of cattle, canned beef, dressed beef, and veal, in the year 1948, and particularly in the last 6 months of that period. Reduced to a live-animal basis, they would have exceeded 1,000,000 head of cattle.

Senator MILLIKIN. Within the last 6 months, you say?

Mr. MOLLIN. In the full year, but about 900,000 head of cattle (and products connected to cattle basis) within the last 6 months, because the Canadian imports did not start to come until the 16th day of August.

I want to call attention to the fact that coincident with that big increase of importation in the last 6 months, we have had the most drastic decline in the price of cattle that has ever occurred in this country. Just to give you a couple of examples: Choice steers in Chicago for the week of August 23 averaged $39.90 per hundred. For the week of February 12, 1949, they averaged $24.75 per hundred. That is a decline of $15.50 per hundred.

Good steers had almost the same decline. For the week of August 23, 1948, the price was $35.55, Chicago. For the week of February 12, 1949, the price was $21.65. The decline in cows was not as great as in steers.

Now, I don't mean to say that this decline in price is entirely due to importations from Canada and Argentina, but I am sure you would agree that you could not import into this country in a period of less than 6 months right during the period of our heaviest marketing in this country, the equivalent of 900,000 head of cattle, without substantially affecting the market in this country. The feeders in the Corn Belt today, and in the irrigated sections of our State, Senator Millikin, are losing from $50 to $100 per head, and in some cases more than that. It is the most severe decline that the feeders of this country have ever been forced to take.

When Mr. Ogg was on the stand, you were discussing quotas. And as I understood him, there are certain quotas in effect. I would appreciate it if the committee would inquire of the Tariff Commission, then, as to why the quotas on cattle in the Canadian trade agreement are in suspension.

There are quotas in the Canadian trade agreement. I have had correspondence with the Foreign Division of Agriculture, and they have told me that those quotas are in suspension and will remain in suspension until the President declares the war emergency to be at an end.

If that applies to the cattle quotas, why doesn't it apply to these other quotas? It would be very helpful during the coming year if these quotas that are contained in the Canadian trade agreement were operative, because it would encourage the Canadian shippers to spread their shipments out and not concentrate them in such a brief period as was done last fall.

Senator MILLIKIN. Who has control over the regulation of the quota, its imposition, its withdrawal, its suspension?

Mr. MOLLIN. Well, it is part of the trade-agreement program, Senator. The quotas are contained in the trade agreement. And our advice is, from the Foreign Division of Agriculture—I think Mr. Rossiter is the man that I corresponded with—that they are in suspension because the President has not declared the war emergency to be at an end.

Senator MILLIKIN. Mr. Chairman, may I ask a question of Mr. Brown?

Mr. Brown, have you heard what the witness said about the quota provisions in our reciprocal-trade agreement with Canada and his point that this would be a good time to invoke the quota?

Mr. BROWN (Winthrop G. Brown, Director, Office of International Trade Policy, State Department). Yes, sir.

Senator MILLIKIN. And his point that it has not been invoked?

Mr. BROWN. Yes, sir.

Senator MILLIKIN. Could we have a statement for the record as to the reason it has not been invoked?

Mr. BROWN. Yes, sir.

(The following information was subsequently supplied:)

In the Mexican trade agreement, effective January 30. 1943, it is provided that following the termination of the unlimited national emergency of May 27, 1941, effective 30 days after the President has proclaimed the termination of the abnormal situation in respect of cattle and meats. At Geneva, the rate on medium-weight cattle was not subject to negotiation, since Mexico was not represented there; existing rates, on calves and heavy cattle were bound subject to the same proviso regarding quotas as in the Mexican agreement.

To date the President has not declared an end of the unlimited national emergency nor the termination of the abnormal situation in respect of cattle and meat. However, in the event injury should threaten or occur prior to the termination of the unlimited national emergency, the escape clauses in the general agreement and in the trade agreement with Mexico would permit the United States to take action to make imports subject to the quotas.

A detailed discussion of the concessions on cattle in the general agreement follows.

CONCESSIONS IN THE GENERAL AGREEMENT ON TARIFFS AND TRADE ON BEEF CATTLE

A. IMPORT CONCESSIONS ON CATTLE

(Par. 701 of Tariff Act of 1930)

Under the general agreement, the tariff rate of 1½ cents per pound, which had been applicable to imports of all cattle since 1943, was bound against increase on cattle weighing under 200 pounds each and on those weighing 700 pounds or more each.

The general agreement provides that, when the President. following termination of the unlimited national emergency, declares an end of the abnormal situation in respect of cattle and meat. the 1½ cent rate shall apply—

(*a*) In respect of cattle weighing less than 200 pounds only on imports up to 200,000 head per year.

(*b*) In respect of nondairy cattle weighing over 700 pounds each, only on imports up to 120,000 head per quarter and not over 400,000 head per year.

Under the agreement imports of these two classes of cattle beyond the stated amounts will, on such declaration of the President, be dutiable at 2½ cents per pound. The quantity of imports of these two classes of cattle permitted entry at 1½ cents per pound (i. e., 600,000 head per year) would be equivalent to only 2 percent of a domestic slaughter of 30,000,000 head which is an amount below the actual slaughter of cattle in 1947 or 1948.

The 1½ cent rate was equivalent, on the basis of actual imports in 1939, to 16.4 percent ad valorem on imports of cattle weighing under 200 pounds each, and to 26.5 percent on imports of nondairy cattle weighing 700 pounds or over each. Because of price increases the ad valorem equivalent of this rate on the basis of 1946 imports was 12.3 percent and 17.1 percent, respectively.

Total imports of cattle for slaughter were equivalent to less than 3 percent of the total domestic slaughter of beef and veal in the period 1937–39 and owing to abnormal conditions were at somewhat lower levels throughout the war and at particularly low levels during 1947 and for the first 7 months of 1948. A sanitary embargo which restricts imports from Mexico, the principal source of lightweight cattle imported into feed lots, a Canadian wartime restriction which, until August 1948, limited exports from Canada largely to the United Kingdom, and a large domestic slaughter of cattle were all factors which kept down the ratio of imports to slaughter on beef animals. Removal of the Canadian export restrictions and high prices in the United States have resulted in larger imports during the last few months, mostly feeder cattle. Total 1948 imports are estimated at 300,000 head, or about 1 percent of domestic slaughter, a figure which compares with 450,000 head imported in 1946 and an average 550,000 head imported in 1937–39 when total slaughter was much smaller. Considering the reduction in herds which is resulting from the very large slaughter of cattle and calves during the last few years, and the absence of normal imports of Mexican feeder cattle Canadian imports will help provide needed profitable use for this year's large feed supplies and help to offset losses to United States herds from this winter's snows.

Total United States slaughter of cattle and calves increased up to 1947. During 1937–39 an average of 24,500,000 head were slaughtered, while in 1946 slaughter reached 32,000,000. Because of very favorable seasons and feed supplies, an all-time high was reached in 1947 when 36,000,000 cattle and calves were slaughtered. Because of this record-breaking slaughter, with the resultant decline in the size of herds, the Department of Agriculture has recommended a 1948 slaughter goal of 32,000,000 head. Slaughter of this amount would not halt the reduction in cattle herds, but it is believed in the Department of Agriculture that conditions will be such in 1949 or 1950 that a goal for cattle slaughter can be established that will result in no further reduction of cattle herds, and that soon after it will be possible to obtain some increase in the cattle herds.

Cash farm income from cattle and calves and beef and veal, as reported by the United States Department of Agriculture, amounted to $1,239,000,000 in 1937; to $1,290,000,000 in 1939; to $3,715,000,000 in 1946; and to $5,051,000,000 in 1947. Average farm income in the period 1931–33 was only $686,000,000. Average prices received per 100 pounds of beef cattle also advanced from the $7 received in 1937 or the $7.14 in 1939 to the $14.60 in 1946 and the $18.95 in 1947. The annual average price received in the period 1931–33 was only $4.51.

B. EXPORT CONCESSIONS

Under the general agreement foreign countries reduced their duties on many meat products of interests to American exporters. It may be particularly mentioned that Canada cut its rate on live cattle from 2 cents to 1½ cents per pound and its rate on fresh beef and veal from 6 to 3 cents, thereby eliminating the preference to Australia and New Zealand.

Senator BREWSTER. Well, is it in suspension?

Mr. BROWN. I believe it is, Senator. I am not familiar with that particular thing.

Senator BREWSTER. Why I said that is that we have potatoes in there, and that is not in suspension.

Mr. MOLLIN. I supposed, when they told us our quotas were in suspension, that it applied to all quotas. I think it would be beneficial to Canada as well as the United States to reinvoke those, so that there would be better distribution.

I just want to call attention to the fact, with which I believe everyone is concerned, that we are approaching a very critical period in the economy of this country. We have tremendous production of agricultural products. I think we should not overlook the fact that historically the domestic consumption of our agricultural production and of our industrial production has been more than 90 percent in this country.

I have not examined the recent figures, but the recent figures don't tell very much. They are not normal. But the last time I did look into it very carefully, the consumption domestically of what we produced, in this country, was quite a bit above 90 percent; 92 or 93 percent. And I don't think we are going to promote the prosperity of this country by permitting importations of any kind that are going to have a serious effect on domestic producers.

Now, in the cattle business we are interested not so much from our own standpoint. We have taken quite a beating here this fall, and there isn't very much that can be done about it right at the moment. But we are interested in maintaining the buying power of the people who eat the beef we produce. That is our great interest right at the moment. And if these people, more and more of them, are put out of work, we know they are not buying beefsteak, even at the reduced prices at which beefsteaks are available today. And we think that you are just approaching the test of this trade-agreement program, and that you have a great responsibility to protect American agriculture and industry in the working out of the trade negotiations in general.

I think that is all I have to say.

The CHAIRMAN. Any questions?

Senator Millikin?

Senator MILLIKIN. You favor the act of 1948 as it stands?

Mr. MOLIN. Yes, sir. I so indicated in the prepared statement.

The CHAIRMAN. Any further questions?

Thank you, Mr. Mollin.

The Secretary of Defense has submitted a letter stating his position on this bill and enclosing a memorandum which was prepared by the Munitions Board at the request of the Secretary, which I will put into the record at this point.

(The letter and report are as follows:)

THE SECRETARY OF DEFENSE,
Washington, February 18, 1949.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate.

DEAR MR. CHAIRMAN: I would appreciate it if you would bring to the attention of your committee the position of the National Military Establishment on the extension of the Trade Agreements Act now before you for consideration.

The National Military Establishment supports the extension of the Trade Agreements Act and believes that its renewal is in the interest of national security, both in the immediate and in the long-term sense.

The Munitions Board, at my request, prepared a staff paper setting forth in some detail the various interests of the National Military Establishment in the extension of this legislation. I enclose a copy for your information and request that it be made a part of the record of your hearings.

Sincerely yours,

JAMES FORRESTAL.

STATEMENT PREPARED BY THE STAFF OF THE MUNITIONS BOARD

NATIONAL SECURITY AND THE TRADE AGREEMENTS ACT

The extension of the Trade Agreements Act in 1945 provided that the War and Navy Departments should be represented on the Trade Agreements Committee. The extension in 1948 substituted representation by the National Military Establishment. Experience since 1945 has proved that this representation has proved valuable by providing a direct expression of opinion on national security in trade-agreement negotiations. It has also emphasized the importance of the trade-agreement program to national security.

1. The trade-agreement program helps the United States meet its problems in strategic commodities

The National Military Establishment has an obvious and well-recognized interest in strategic commodities. Some of these commodities are produced in adequate quantities in the United States but for others we are dependent in whole or part upon supplies from foreign countries. For those which are produced in the United States it is sometimes necessary to balance the desire for a large scale current production to maintain a strong domestic industry with the conflicting desire for adequate emergency reserves. World War II seriously diminished our reserves at the same time that it made clear that the demands of war upon strategic commodities have greatly increased and that the problems of overseas transportation may be serious. As a result the Congress provided for stock piling and later that the expenditures for Economic Cooperation Administration be used in part to aid the stock piles.

Negotiations under the Trade Agreements Act can and have been used to reduce United States tariffs on strategic commodities where it was deesirable to increase supplies from foreign sources and in a few cases to reduce or eliminate the export duties or restrictions of other supplying countries. It is desirable that the authority to take similar action in the future be preserved.

2. The trade-agreement program helps keep our national economy strong

The United States is fortunate enough to possess a large domestic market which allows many commodities to be produced efficiently on a large scale. These strong domestic industries frequently produce commodities which other countries like to buy if they have the dollar exchange to do it, since they can purchase them from us more economically than they can produce on a small scale for their own more limited market. Often they can in turn sell us other commodities which they can produce efficiently because they possess the natural resources or the type of labor required. Even at present, and to a greater extent when the emergency programs of assistance come to an end, our ability to export will be limited by the ability of others to sell to us.

Our national security planning is largely based on our industrial capacity. Its size and its ability to be mobilized quickly and effectively for the production of supplies and equipment needed by the armed forces form one of our greatest bulwarks. Our machine-tool industry, our automobile industry, and our radio industry are all cases in point. They are also examples of industries which are in part dependent upon exports and which have benefited from the trade-agreements program in the past.

The trade-agreements program is so designed as to permit flexibility in operation. It can be used to encourage exports and imports and can also be used to limit the amount of goods received from foreign countries. For example, the program offers an excellent means for protecting those industries considered vital to the national security by the retention of tariffs. The National Military Establishment member of the Interdepartmental Committee which administers the law has frequently made representations of this nature in the interest of national defense. Natural rubber has long entered the United States free of duty, but in trade agreements this country has retained the right to restrict imports of natural rubber products in order to protect synthetic rubber production. Through the efforts of the Military Establishment provisions of this nature with respect to rubber have been included in the ITO charter as well as the general agreement on tariffs and trade.

3. The trade-agreements program is an aid to friendly countries

The United States is today a strong proponent of multilateral world trade on a nondiscriminatory basis. Many countries which formerly favored such a policy are luke warm toward it at present because of their postwar difficulties in trade and exchange. Our trade-agreements program buttresses our policy position, strengthens the economies of countries friendly to us and offers them an avenue of escape from the maze of international discriminations into which the world economy might so easily deteriorate.

The United States by implementing the Marshall plan has proved itself willing at considerable cost to aid the economies of friendly countries. But this is a temporary expedient looking toward their getting firmly upon their own feet again. That result will depend in no small part upon their access to our market which is aided by the trade-agreements program. A healthy world economy is of interest to the United States for national security as well as for other reasons.

The CHAIRMAN. The committee will recess until tomorrow morning at 10 o'clock.

(Whereupon, at 1:30 p. m., the committee recessed, to reconvene tomorrow morning, Saturday, February 19, 1949, at 10 a. m.)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

SATURDAY, FEBRUARY 19, 1949

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

The committee met at 10 a. m., pursuant to adjournment, in room 312, Senate Office Building, Senator Walter F. George, chairman, presiding.

Present: Senators George (chairman), Connally, Byrd, Lucas, Hoey, McGrath, Millikin, Butler, and Martin.

The CHAIRMAN. The committee will come to order.

Sentaor Saltonstall, I believe you are the first witness this morning.

STATEMENT OF HON. LEVERETT SALTONSTALL, A UNITED STATES SENATOR FROM THE STATE OF MASSACHUSETTS

Senator SALTONSTALL. Thank you, Mr. Chairman.

I have limited my remarks so that they can be completed within 15 minutes; which it what I understand is the request of the chairman.

The CHAIRMAN. On the direct; yes, sir.

Senator SALTONSTALL. And I have a few very general remarks, and then a few more particular remarks, regarding Massachusetts, the whole not to take over 12 minutes.

Mr. Chairman, I appreciate this opportunity to appear before you on the Trade Agreements Extension Act of 1949. I have twice voted for reciprocal trade agreements. I am sympathetic to their aims. I believe if we are to have real peace in the world, we must have world trade. We want other nations to trade with us, and we must make it possible for them to pay for the goods we want to export to them. Only in this way can we ever expect them to become self-supporting.

Now we are spending our taxes for programs like the Economic Cooperation Administration as a calculated risk to bring peace to the world and thus to benefit our citizens here at home.

In considering this extension of trade agreements, which we hope will stimulate world trade, we must always keep in mind our industries and our workers who may be affected by such an extension. We must be sure that they have a fair opportunity to present their case adequately to their Government. Certainly there is a feeling among both workers and managers of certain industries that our Government has not always dealt fairly and candidly with them in connection with trade agreements. We in Massachusetts are essentially an industrial State. We are in the far northeastern corner of our country. We are a long way from some of our markets and from most of our raw materials. By working well together and by the exercise of our ingenuity,

we have overcome these distances. We want to continue to be able to do so.

In 1945 when the extension of the reciprocal trade agreements was before the Senate, I said:

> The provisions of the Reciprocal Trade Act do not in and of themselves militate for or against any industry, business, or agricultural enterprise. The so-called escape clause which will be included in future agreements will be a further safeguard if any mistake in judgment is made. We trust the President and the Department of State to administer these powers honestly, intelligently, fairly, and in the best interest of all sections of the country.

It gave me and I believe the people in my section of the country greater confidence that the various trade agreements would be worked out more fairly to them when the act was extended in 1948, for that extension contained the clause that required the Tariff Commission to make a report to the President before an agreement was made. In the words of the minority report to the House on this present bill:

> This report is the stop, look and listen sign for the President's guidance in fulfilling his assurance to the America public that, in the conduct of the trade agreements program, domestic producers would be protected from injury.

I know your committee is giving consideration to various safeguards before they recommend favorably on this act. I now submit five points that I believe are of importance to the people of my section of the country:

1. A completely impartial and experienced investigation with every possible effort made to satisfy all industries and all workers that they have been adequately represented and adequately listened to.
2. Every agreement negotiated should have an adequate escape clause. I realize that this is a part of the Geneva agreement; but certain countries, notably Switzerland, are not parties to those agreements. It is essential that an escape clause should be put into operation before injury is done. We should not wait until the industry is so far gone it cannot recover if and when the escape clause is put into operation. We should try to negotiate agreements to include clauses where they are not now included.
3. Careful consideration should be given to quotas; although I realize the difficulty of fixing a quota and living up to its terms.
4. Trade agreements should include some form of clause to protect either side against depreciation of currency by the other.

   And I think, in that connection, Mr. Chairman, the men who will follow me, who are going to go into the watch situation, can tell you that that has worked one way at one time, as to Switzerland and the United States, and another way at another time.
5. Would your committee consider—and I put it in the form of a question, because I know its difficulties—setting up a so-called watchdog committee in the same manner that there is a watchdog committee for the ECA?

I express these thoughts in the interest of regaining the confidence in their own Government of the people who are affected by these agreements.

May I turn now to three specific cases that are of vital concern to us in Massachusetts.

First. Watches: There are three companies in the United States today that make jeweled watches. On of them is the Waltham Watch Co. That company is today in bankruptcy. Efforts are being made to continue its operation. I hope they may be successful. While I do not for one minute want to leave the impression that all of its troubles have been due to the importation of Swiss watches, I do feel that such importations have been a contributing factor. As in the case of its two competitors, through the war period its facilities were completely turned over to the making of precision instruments for the Government. From 1941 to 1948, inclusive, we have imported more than 59,000,000 watches. President Truman himself, I am informed, at a conference with the Governor of Massachusetts and several representatives of the industry, has suggested that a complete investigation of the importation of watches and the watch industry be made. If I understand the problem correctly, even if the full duty of the 1930 act is imposed, Swiss imports can still undersell American competition. Since 1930 conditions have changed so radically that it may well be worth while to reconsider some of the tariffs set up at that time. I realize also, sir, the difficulties, when I make that statement. This applies certainly to watches.

Second. The woolen textile industry: It is one of our oldest and most important. The city of Lawrence, Mass., with a population of over 100,000 people is highly dependent upon this industry. The board of aldermen of the city and the Greater Lawrence Textile Council, A. F. of L. have passed resolutions which I would at this point like, if I may, to read into the record as a part of my testimony.

The CHAIRMAN. You may do so, sir.

Senator SALTONSTALL (reading):

CITY OF LAWRENCE, MASS.,
CITY CLERK'S OFFICE,
January 26, 1949.

DEAR SENATOR SALTONSTALL: Receipt of your letter of January 18 replying to mine of January 13 concerning the opposition of the Lawrence City Council to extension of the Reciprocal Trade Act is hereby acknowledged. I submitted your letter of acknowledgment to our city council at its meeting on Monday and I was instructed to write you again to ask if you will support a protective tariff for the woolen and worsted industry, since your letter made no statement as to your views on this subject.

As stated in my earlier letter our city council believes a protective tariff on textiles is vitally important to prevent widespread unemployment or a possible reduction of living standards which would affect thousands of our citizens who are employed in local worsted mills. We are opposed to any liberalization of the act which would permit duty-free entry of foreign-made textiles or any further reduction in tariff.

Will you please let us know whether or not you are in sympathy with our views and will support them?

Respectfully yours,

GORDON E. GAFFNEY, *City Clerk.*

The letter from the Greater Lawrence Textile Council, of Lawrence, Mass., dated February 1, 1949, is as follows:

DEAR SIR: The Greater Lawrence Textile Council, representing 16,000 textile workers, voted to go on record as opposed to the reciprocal trade agreement and are requesting you, as the representative of the people in Massachusetts, to be opposed to the agreement to hand it over to the State Department.

Thanking you for your consideration in this matter, I remain,

Yours sincerely,

GEORGE F. DRISCOLL,
Recording Secretary, Greater Lawrence Textile Council, A. F. of L.

Thank you, Mr. Chairman.

Senator CONNALLY. May I ask a question, Mr. Chairman?

The CHAIRMAN. Senator Connally.

Senator CONNALLY. Have you any information as to what the average wage is of these folks who work in these factories that you mention?

Senator SALTONSTALL. No, sir. You ask me the one question that I cannot answer readily.

I have a little more information on textiles, and then I will be glad to take that up.

Senator CONNALLY. All right.

Senator SALTONSTALL. While the relation of domestic production to importations today is lower than in 1939, it is rapidly increasing (i.e., 1.1 percent as compared with 2.1 percent in 1939). For instance, the importation of tops was heavier in the first 10 months of 1948 than in any calendar year since 1923. Imports of yarns were greater than any year since 1925. It is this trend which is disturbing the industry today. We have no idea as yet what we may consider normal postwar production; so the woolen textile industry is very fearful of this continuing percentage increase in these imports. Already men and women in Lawrence have been thrown out of work. This cannot be traced directly to the importation, but those men and women who are out of work are fearful of the impact of greater imports on the future of their jobs.

Third, the fishing industry:

Three of our cities are vitally interested—Boston, New Bedford, and Gloucester. Gloucester is almost wholly dependent upon the earnings of the 300 boats that bring in the fish to give jobs to the men who man them and to the men and women who process the fish after they are landed. Take the case of frozen fillets. Here again we have a condition where the full tariff will not compensate for the difference between domestic and foreign costs.

May I, in this connection, Mr. Chairman, read to you a letter which I have just received from the local post of the American Legion in Gloucester? It tells the situation.

The CHAIRMAN. You may do so.

Senator SALTONSTALL. The letter reads as follows:

CAPTAIN LESTER S. WASS POST NO. 3 OF THE AMERICAN LEGION,
Gloucester, Mass., February 10, 1949.

Senator LEVERETT SALTONSTALL,
Senate Office Building, Washington, D. C.

DEAR SIR: The members of the Captain Lester S. Wass Post No. 3, American Legion, Gloucester, Mass., are taking an active part on the question of imports of fresh and frozen fish from foreign countries. This question is of utmost importance to the city of Gloucester's future welfare.

At the last regular meeting of the post, held on Tuesday, February 8, in Gloucester, it was unanimously voted that the post send a representative to Washington to appear before the Subcommittee on Merchant Marine and Fisheries on this matter of vital importance to the city of Gloucester and the fishing industry. All of our members are directly affected through the fishing industry. Imports have increased to the point where it is becoming a threat to the city of Gloucester.

We have selected as a representative of the post, Mr. Stanley L. Burgess, former business agent of the Gloucester Seafood Workers' Union, who is most familiar with the fishing industry and the matter of imports. Mr. Burgess will testify before the Subcommittee on Merchant Marine and Fisheries and will express the views of this post on the matter of imports.

To further enlighten you, the imports of 1947 from foreign countries, namely: Canada, Newfoundland, and Iceland were 35,000,000 pounds. In 1948, they increased to 54,000,000 pounds. As you will note, imports have increased in the vicinity of 50 percent in just 1 year. If this practice of increased imports is permitted to continue at this ratio, the members of this post and the citizens of Gloucester will be faced with a similar plight to that of the Waltham watch workers watch movements.

Gloucester is the No. 1 fishing port of the Nation, exceeded in its production only by San Diego, Calif., who produced 460,000,000 pounds against our 244,000,000 pounds in 1948 but much of this fish produced in San Diego, Calif., was used for purposes other than for food.

We are in agreement with the reciprocal trade agreement and the Marshall plan, but we do ask that a quota be established limiting the importation of fresh and frozen fish from the above-named foreign countries.

We ask you to do all in your power to help preserve the livelihood of the members of this post and the citizens of Gloucester of which 70 percent of the workers derive their livelihood from the fishing industry which is the oldest industry in the country; and aid us in establishing a quota limiting the supply of fish imported into this country.

Hoping you will use your qualified influence to assist us in our cause, I remain,

Respectfully yours,

RALPH B. O'MALEY, *Commander.*

Mr. Chairman, there is also the feeling among the local businessmen in Massachusetts that we are being outtraded in the drafting of reciprocal trade treaties. I have here two letters from the tanning industry which bring this out very clearly and, in my opinion, quite impartially.

N. BRAZNER & CO., INC.,
Boston 11, Mass., February 3, 1949.

Senator LEVERETT SALTONSTALL,
Senate Office Building, Washington, D. C.

DEAR SENATOR SALTONSTALL: We understand that hearings are now being held by Congress to renew reciprocal trade agreements. We are in favor of reciprocity, but we believe it should be true reciprocity, a give and take by both parties. The United States should make it easy for other countries to buy from or sell to this country, but on the other hand, the United States should demand that countries receiving these favors should be just as liberal, when they can, to us.

As tanners, we must use many raw materials from all over the world. We are ready and eager to pay those countries the dollars which they so badly need. Yet country after country which have the hides, skins, chemicals, or tanning materials which we want to buy make buying impossible. Some countries have export bans or expensive taxes on exports; others have artificial rates of currency exchange; others will sell us processed goods but not raw materials. Countries maintaining such barriers should receive no trade benefits from us. Reciprocity, yes; but let it be real reciprocity.

Very truly yours,

NATHAN BRAZNER.

And the letter from the Colonial Tanning Co., Inc., of Boston, dated February 12, 1949:

We have followed with a great deal of interest the discussions in Congress relating to extensions of the reciprocal trade agreements law. Our company is engaged in the manufacture of patent leather which is a staple in the domestic market and which we have also exported to various countries. This product is a glaring example of the inequity to which American industry has been subject under the Reciprocal Trade Agreements Act and we want to call it to your attention as an instance of discrimination and injustice.

Through progressive tariff reductions in prior years, the United States duty on patent leather has been lowered until it is only 7½ percent. The result of these cuts in duty has been to stimulate shipments of patent leather into the United States from Canada. We might grit our teeth and bear this if it were not for the extraordinary injustice represented by the fact that Canada maintains a duty of 17½ percent on imports of patent leather from the United States.

This is our situation then, absurd and incredible as it may seem: Tanners of Canada can ship patent leather to our customers in the United States at a duty of only 7½ percent, whereas we are prohibited from seeking exports in Canada through a tariff barrier of more than 17½ percent.

There are further ramifications which have been added to our miseries. Most of our markets abroad have been restricted because dollars are supposedly not available for the import of patent leather. However, Canada can ship abroad to the sterling areas, to the United Kingdom which used to be one of our principal customers, so that we are hurt in two ways. First, leather comes into the United States from Canada to cut down our sales domestically and second, we are not permitted either by prohibitive duties or by trade restrictions from shipping leather abroad.

If the reciprocal trade law is to operate logically and fairly, one of two things must be done immediately. Either our duties should be raised up to the level of the Canadian duty on the same product, or else the Canadian duty cut down to ours. Why don't we deserve the same benefits and treatment that foreign countries get? Our trade association, the Tanners' Council of America, has discussed this matter with the Tariff Commission. In substance the reply they get is that there may be some inequity in the comparative United States and Canadian duty on patent leather, but this is only a small matter in relation to the general objectives in our treaty with Canada. However, it is not a small matter to the patent leather tanners of this country, and in my opinion no law is successful that condones small inequities for the sake of vague, general objectives.

We shall appreciate your assistance in the matter and trust that you will urge the Tariff Commission to take the necesasry remedial steps or that the Senate, in acting on the proposed extension of the Reciprocal Trade Agreements Act will seek to incorporate provisions that will protect us against discrimination.

Very truly yours,

COLONIAL TANNING CO., INC.,
KIVIE KAPLAN,
Vice President and General Manager.

Mr. Chairman, again let me express my understanding of the need for reciprocal trade agreements, and my sympathetic consideration of them. But, to make them of the greatest possible value we must have the confidence of the American worker and of the American businessman that they are getting as fair a deal as possible in the agreements that are made. They realize as do we the need for world trade if we are to have peace. On this point they are just as patriotic as are any of our citizens, but, like all of us, they don't want these treaties to be a contributing cause to the loss of their jobs or their business. In this we are sensitive in Massachusetts, because we are vitally affected. I know you have our interests in your minds.

I appreciate this opportunity, sir, to appear before you.

The CHAIRMAN. Are there any questions?

Senator Connally?

Senator SALTONSTALL. I could not with accuracy answer your question, Senator Connally, relative to the average wage of the factory workers in the areas of these various industries, or I would. I will be glad to get you that information. Naturally, the average wage is much higher.

May I say, Mr. Chairman, that we have now two witnesses as to the watch industry from Massachusetts. One is the chairman of the trustees in bankruptcy of the Waltham Watch Co., and a distinguished Boston lawyer of long standing, Mr. Daniel J. Lyne. The other is Walter Benerazzo, whom I think your committee has heard before, who is the head of the Waltham Watch Workers Union. There is a third gentleman, whom I did not see before I started testifying, who is a distinguished Massachusetts jeweler; and if he is here, I think he would like to speak to you also about watches.

The CHAIRMAN. Is that Mr. Partridge?

Senator SALTONSTALL. Yes, sir.

Senator MILLIKIN. Mr. Chairman, may I read into the record a telegram which I received?

The CHAIRMAN. Yes, Senator.

Senator MILLIKIN. This is from the Coors Porcelain Co., of Golden, Colo. It says:

Re H. R. 1211 Trade Agreements Act respectfully urge you give every consideration to retaining Tariff Commission as peril point determinant in tariff reductions. As sole source of chemical and scientific porcelain for schools and industrial laboratories in Western Hemisphere we cannot compete without protection against foreign imports on products where labor is 65 percent of costs. Bulk of scientific apparatus manufacturers in country in same position. We started business at request of Government when foreign exports were cut off during World War I and were in position to keep industrial laboratories equipped during World War II only because of tariff protection in interim. Feel Tariff Commission protection necessary to safeguard critical situations such as ours. Whatever you can do greatly appreciated.

This is a very sound and old firm out in Colorado which, as is indicated by the telegram, is probably the principal supplier of porcelain equipment which is used in laboratories. I know the folks who run this company personally, and it is very impressive to me to have this kind of a telegram from them.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Millikin.

Senator Saltonstall, have you any preference in the presentation of the witnesses? In other words, would you like to have Mr. Lyne precede the others?

Senator SALTONSTALL. I would suppose that he would precede Mr. Cenerazzo; and then, after Mr. Cenerazzo, Mr. Partridge would be heard. Mr. Partridge is not connected with the Waltham Watch Co., so far as I know, but is very much interested in the subject of watches, as that is his business.

In other words, these first two gentlemen will give you a more detailed presentation of the watch problem, the problem of jeweled watches and their manufacture in this country, than I have in these few minutes. I left it to them rather than trying to do it myself.

The CHAIRMAN. Is Mr. Lyne in the room?

STATEMENT OF DANIEL J. LYNE, REPRESENTING TRUSTEES IN POSSESSION OF WALTHAM WATCH CO.

Mr. LYNE. I am Daniel J. Lyne, Mr. Chairman. My address is 75 Federal Street, Boston.

The CHAIRMAN. You may have a seat. Are you the attorney for the trustees?

Mr. LYNE. I am one of the trustees. There are three trustees.

The CHAIRMAN. Oh, you are one of the trustees.

Mr. LYNE. Yes, sir.

The CHAIRMAN. Have you a prepared statement, Mr. Lyne?

Mr. LYNE. I have. I have handed it to the committee secretary, and I intend to enlarge on the statement in the course of my presentation.

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The CHAIRMAN. You may proceed with such formal statement as you wish to present for the record.

Mr. LYNE. All right, Mr. Chairman.

A United States district court on December 29, 1948, appointed three disinterested trustees to conduct the business of the Waltham Watch Co. and to effect its reorganization, if a reorganization were possible. This appointment imposed upon the trustees a unique task. I realize that the word "unique" is often misused, but it is selected consciously here. The task was not unique by reason of the fact that there had been some mistakes in Waltham Watch Co.'s prior management.

Senator CONNALLY. Pardon me. Was any one of the three a practical manufacturer, or watch man?

Mr. LYNE. No, Senator.

As I stated, the problem was not unique because of the fact that there had been, not infrequently, some mistakes in Waltham's past management. It was unique because the national interest of the United States of America is involved in the continuance of the Waltham Watch Co.

The trustees have had no prior connection with Waltham. They have reason to believe that whatever mistakes the prior management made can be corrected. This is vouched for by reports of two firms of industrial consultants of the highest standing: Rath and Strong, experts in production management, and McKinsey & Co., who are experts in the problems involved in distribution.

A good start toward carrying into effect the recommendations of these two firms had been made in the last half of 1948, but Waltham's funds ran out before they could be put into profitable effect. The realization that mistakes were bound to happen in the management of numerous American companies, and that such mistakes could be corrected, is what prompted the Congress to enact the reorganization chapter of the United States Bankruptcy Act. The fact that Waltham Watch Co. is an American company in which some mistakes have been made has been overemphasized; and it should not be. New and adequate management can correct those past mistakes if the American watchmaking industry is given a chance to survive.

Of course, a general charge of mismanagement, like any generality, is meaningless. In searching for specific mistakes in the management, it seems that one should not go back more than a quarter of a century. Since 1923, the management of Waltham was directed by three men, F. C. Dumaine, Ira Gilden, and Paul Johnson. Paul Johnson was in less than half a year, and so I assume we may disregard him and consider the other two.

That there were mistakes in the management during the period when the Dumaine interests were in control is admitted. One of those mistakes probably was the failure to replace machinery. But the committee should know, and the Congress should know, that that fault was not entirely attributable to the management.

The Swiss have become very adept in the manufacture of watchmaking machines. They have an embargo in Switzerland which absolutely prohibits the sale of those machines to manufacturers in the United States.

Mr. Shennan, testifying before the committee of the other branch of the Congress, on this same bill, stated that in his opinion the pro-

visions of the lease arrangement were so onerous that Elgin Watch Co. would not enter into such an agreement.

Senator LUCAS. Who is Mr. Shennan?

Mr. LYNE. Mr. Shennan is the president of the Elgin Watch Co. There are three American watch companies who are manufacturers of movements.

Senator MILLIKIN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Certainly, Senator.

Senator MILLIKIN. Do we maintain any embargoes on our material that goes to Switzerland?

Mr. LYNE. None that I know of, Senator.

Senator MCGRATH. Could I ask a question, Mr. Chairman?

The CHAIRMAN. Senator McGrath.

Senator MCGRATH. You mean to say that there are no American firms that have an embargo on leased machinery? How about the United Shoe Machinery Corp.?

Mr. LYNE. The United Shoe Machinery Corp., Senator McGrath, has what may be termed an embargo, in the sense that it uses the lease system. That system of the United Shoe Machinery Corp. has been criticized vigorously. It may be that it has been criticized with entire justice. But the mere fact that one American company has built up a strong business organization by using the lease system does not derogate from the situation that we have here, the use of a lease system by a foreign country involving leases with terms so onerous that Elgin Watch Co. will not enter into such a lease. The mere fact that one American company has done that does not justify the other conduct, in my opinion.

Senator MCGRATH. I am not attempting to justify it, but I wanted to bring out that there are comparable situations by which we have onerous provisions in leases of machinery that we let to the rest of the world.

Mr. LYNE. That is true as to the United Shoe Machinery Corp., and it may be true of others.

Senator MCGRATH. Probably it may be true of others.

Mr. LYNE. Yes.

Senator MILLIKIN. May I ask another question, Mr. Chairman?

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. Do we manufacture any machinery in the watch business which Switzerland might want and cannot get?

Mr. LYNE. We manufacture some machinery in the watch business, Senator. But in recent years, the Swiss, we are informed, have become especially adept in the manufacture of machinery. Back 75 years ago, if one thought of the manufacturing of anything mechanical, one immediately thought of America as outstanding, and American workmen as the outstanding people. That is not true today, we are informed. The Swiss machines are better, our consultants tell us, for our purposes than any machines we can procure in America.

As I say, I believe that is a change which has occurred in comparatively recent years.

To go back to Mr. Dumaine and his failure to make this procurement. There is a book which considers the entire history of the Waltham Watch Co. during the period before a United States court appointed three lawyers to endeavor to effect its reorganization. That book is entitled "Timing a Century." It is edited by N. S. B. Gras,

who is Straus professor of business history, Graduate School of Business Administration, George F. Baker Foundation, Harvard University. It is No. XI in the Harvard studies in business history. In order that my own words alone may not be depended upon for statements concerning Swiss machinery, permit me to quote from page 215 of that book:

> A further element in the competitive situation during the postwar period was the organization of the Swiss watch industry on a national scale. Excellent horological schools were maintained by the Government, which provided technical training of a theoretical and practical nature; both the manufacture and the design of timepieces were taught. The Swiss watch industry as a whole was organized into two divisions, the "trust" and the "super holding" company. The trust was reported to consist of the stronger organizations of the industry, while the super holding company included the smaller units. With the aid of these two organizations, the Swiss Government avoided destructive competition, maintained minimum prices, and gross margins, prevented over-expansion and otherwise encouraged stability in the export market. It would be presumptuous to estimate the effect of Swiss organization on price competition in the United States without more complete data, but the potential influence was obviously great. The Swiss contend that Government control was exercised in the interest of an orderly and freely competitive market, but American producers complained that Swiss competition was ruinous.

Senator MILLIKIN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. I think that from what you have said, Mr. Lyne, the answer to this is clear, but I want to make certain of it. Do we export any watches to Switzerland?

Mr. LYNE. No, Mr. Senator, we export none. And, of course, when I make a broad statement like that—I suppose some special watch might be made up. For instance, I have a cuff link watch. A watch of that type might be made up. But the rule is, and I think it is without exception as a practical commercial matter that we export none.

May I go beyond that, Mr. Senator? Not only do we export no watches to Switzerland, but we export watches no place else.

Senator MILLIKIN. We are unable to meet Swiss competition in the world generally?

Mr. LYNE. In the world generally. And in addition to being unable to meet Swiss competition in the world generally, we are unable to meet it in the United States of America, as I intend to develop.

Senator CONNALLY. We do not ship any watches to South America? To Latin America?

Mr. LYNE. Well, we may, Senator, ship there on such a basis as an unloading operation; that is, if you have watches which are outmoded, you might ship to South America. But the information which has been given to us, and I believe it is entirely creditable, is that we cannot compete in other markets with Swiss watches.

Senator CONNALLY. Of course, Switzerland has been in this business for a great period of years.

Mr. LYNE. Yes, Senator.

Senator CONNALLY. The Swiss are skilled, and they have a world reputation for being the most expert in watch manufacture of any nation on earth.

Mr. LYNE. That is true.

Of course, the watch industry started, Senator, at about the turn between the fifteenth and sixteenth centuries. It started in Germany.

Leadership of that industry was taken over at about the turn between the seventeenth and eighteenth centuries, by England. The Swiss took over the leadership in watch manufacturing in the year 1840. They took that leadership away from the English. England now is striving with all its might and main to develop a watch industry. It is doing that, with complete lack of success, as the testimony before the other branch of the Congress on this bill makes manifest.

The point I am making is that England not only lost the leadership at the time I stated, but got itself into a position where it was unable to make watches. The present government of England and the government which preceded it, having entirely divergent economic viewpoints, both desired, and now desire, to have a watchmaking industry established in England for the welfare of England and its empire. They have had almost a complete lack of success in that effort, as prior testimony will show. The Swiss have that advantage; and they may have that advantage exclusively if the present situation continues. That is, when I say "exclusively," I mean in the entire world.

Senator McGRATH. Mr. Chairman?

The CHAIRMAN. Senator McGrath.

Senator McGRATH. Is it not a fact that we do ship watch cases, as distinguished from the works?

Mr. LYNE. We make watch cases, Senator McGrath.

Senator McGRATH. For export?

Mr. LYNE. We make watch cases. I intend to develop, if I may, a bit later, the very important, the vital, distinction between a watch movement and a cased and dialed watch.

You make cases all over the world.

Senator McGRATH. But do we not have a large export trade in watch cases?

Mr. LYNE. Very likely. That is not the point to which I expect to direct my remarks. The point which I think is vital from the standpoint of your committee has to do with the watch movement.

Senator McGRATH. You are talking about the movement of the watch.

Mr. LYNE. The watch movement. Yes, Mr. Senator.

I have digressed a bit from my prepared statement to make it apparent, if possible, that the mistakes of the Gilden management in not getting machinery may have been made at least under mitigating circumstances.

The rest of the management of the last quarter century was under a gentleman named Mr. Ira Gilden. Mr. Ira Gilden came to Waltham with a very good background of experience. He had been an officer of Bulova Watch Co., having been, we are told, a brother-in-law of Mr. Bulova, the president of that company. He had been with Longines-Wittnauer. He came to Waltham with all that experience. He came to Waltham, as he stated when he came, to make "the finest watch in the world." That was his ambition. He stated: "I burned my bridges behind me. I am going to make here in America the finest watch in the world."

Now, Mr. Gilden devoted himself exclusively to that task; and he has been criticized for that. To illustrate: Waltham Watch Co. makes speedometers. One of its important customers in the speedometer field, was Ford Motor Co. Ford Motor Co. and Waltham Watch Co.

had a satisfactory relation extending over a considerable period. The management of Ford told the management of Waltham that it was changing the model of its car, and it wanted in consequence, some changes made in the speedometer. Mr. Gilden would not take that up with them, saying that he was too busy making watches. That, we believe and are informed, was a mistake; because the speedometer business is important and had been profitable. But if you bear in mind that Mr. Gilden had pledged himself, devoted himself, to making the finest watch in the world, and wanted to exclude every distraction from that effort, that, too, was a mistake made under mitigating circumstances. And Mr. Ira Gilden, with all the experience that he got from the watch assemblers, with the splendid training he had had in the past, was not able to make money once the war ended. The big losses in Waltham came under his management.

We admit, as I say, that there were those prior mistakes. We have touched upon them only because it is necessary to clear away the underbrush from an issue before an issue can be rightly approached. The underbrush here not only exists, but has been assiduously nurtured.

Let us pass to the issue now before this committee.

If the Waltham Watch Co. did not exist, it should be created at once, as essential to this country's defense. The skilled precision instrument makers of Waltham, who create watch movements, are essential in the manufacture of equipment which is required for the defense of any nation against an aggressor under present-day conditions of warfare. Their skills are needed for every airplane, battleship, tank, and bomb. They can do many things which workers in other American industries can do; but no other American industry has workers who can do what they can do.

It may well be that some other countries, such as Czechoslovakia, could produce the guns needed by our American armed forces at a much lower figure than they could be manufactured here, for the rates of pay of the workers in other countries are materially lower than they are here in the United States. Should the United States purchase all its guns from one such country to effect a saving in dollars, thereby eliminating completely the manufacture of guns in these United States? Surely not. It would seem that an officer of the United States who proposed such a course should be removed from office for malfeasance.

The principal element in the cost of a watch movement is the labor cost, more than 75 percent. The labor cost per unit is lower in Switzerland than it is here, and Switzerland can therefore manufacture at a much lower cost than can the United States. This statement is made because it is an inescapable fact, and not by way of criticism. The trustees personally, and I, among them, rank Switzerland highly among the nations of the world. But the American watchmaking industry should not be destroyed just because Switzerland is a fine nation.

There are only 3 manufacturers of watch movements left in the United States, Waltham, Elgin, and Hamilton, out of more than 60 such companies which once operated here.

Senator MILLIKIN. Are you going to give us comparative wage scales for the United States and Switzerland in the watchmaking business?

Mr. LYNE. I do not have those figures. I have heard them, but it would be merely hearsay. I have not endeavored to make a comprehensive study of them. They are admittedly lower. The extent of the difference was sought to be developed at the hearings before the House committee. There, the requests were directed to people who could give that information, people who had a factory in Switzerland. I shall not attempt to give it if people who have been in the business for a number of years have been unable to give it.

Senator SALTONSTALL. May I interrupt to say that I have just asked Mr. Cenerazzo, and he says he has those figures.

Senator MARTIN. It is very important, I think, that those be inserted.

Senator LUCAS. Mr. Chairman, may I ask one question?

The CHAIRMAN. Senator Lucas.

Senator LUCAS. Will you develop the theory that you have just pronounced there, that the watch industry in America will be destroyed?

Mr. LYNE. Yes, I shall. I expect to develop that.

Senator LUCAS. And what will happen unless we do something about it?

Mr. LYNE. Yes, I shall develop that point. Yes, Mr. Senator.

On that point, we must start with the knowledge that there are only three manufacturers of watch movements left in the United States, Elgin, Waltham, and Hamilton. These are the survivors of over 60 such companies which once operated here. If Waltham is destroyed, one of the other two remaining companies—and those two are Elgin and Hamilton—becomes the marginal producer. And if and when the marginal producer goes, there can be little hope for the sole survivor. Elgin and Hamilton both fully realize this.

We are informed that a 20-percent contraction in volume of sales would put them out of business today.

Mr. Shennan, the president of Elgin, so testified in hearings before the committee of the other branch of the United States Congress.

In consequence, Elgin and Hamilton have offered the trustees their full assistance, and they have given that assistance without reserve to effect the reorganization of Waltham, despite the fact that a reorganized Waltham will be an active competitor of theirs.

Senator MILLIKIN. Mr. Chairman, if I may ask a question at this point: Is there any financial connection between the three companies?

Mr. LYNE. Absolutely none. They are three completely independent companies, Mr. Senator. There is no connection of any nature.

The CHAIRMAN. You mean to say the Bulova Watch Co. does not manufacture any works in this country?

Mr. LYNE. The Bulova Watch Co., I am now informed, manufactures certain watch movements in a plant in Long Island. How many they manufacture, I do not know. They also import watch movements and assemble them here, just as the other assemblers do.

The CHAIRMAN. Yes, I know that.

Mr. LYNE. This is a pilot plant and was so described by an officer of Bulova at the hearings before the other committee. There have been some watch movements made there, Senator, in very recent years. That is the one company, so far as I know, which also does manufacture. But the only companies which produce the completed watch, using only American-made watch movements, are the three companies which

I have named: Waltham, Elgin, and Hamilton. Of these three, Waltham is the oldest. Waltham pioneered in the mass production of watches, which made possible to practically every American the carrying of a timepiece. Waltham will celebrate its one-hundredth birthday next year.

Elgin was formed toward the end of our War Between the States. Hamilton is younger than I am. Waltham, as I say, is the oldest of these three companies; and these three companies are the only companies which create watches in the United States using only movements which are manufactured here in the United States. And the watch movement, as I expect to develop later, Mr. Chairman, is the important part of the issue before this committee.

The CHAIRMAN. Yes. Well, the committee realizes that, I think, Mr. Lyne. Because if you get into the matter of cases, then you would have an exact reversal of your figures.

Mr. LYNE. Of what figures, if you please, Mr. Chairman?

The CHAIRMAN. Of the ones you are giving about the jeweled movements. Because we do manufacture and ship an immense quantity of watch cases, do we not?

Mr. LYNE. We ship watch cases; yes. And as I told Senator McGrath, the watch cases, of course, are shipped, and we may ship watch bracelets and watch chains, but the fundamental thing which interests me and which I believe interests all of us is the American watch movement.

The CHAIRMAN. But I do not want you to be laboring under the misapprehension, if it be a misapprehension, that the Bulova Watch Co. does not manufacture these same works in the United States.

Mr. LYNE. It does. It has in recent years.

The CHAIRMAN. Maybe you need some new blood in the enterprise.

Mr. LYNE. It is quite possible. You need new blood in every enterprise, Senator.

The CHAIRMAN. Yes, even in Congress.

Senator MILLIKIN. Might I ask one more question, Mr. Chairman?

The CHAIRMAN. Yes, Senator.

Senator MILLIKIN. I suppose every middle-aged person in this room at one time or another carried a dollar Ingersoll watch. Whatever happened to the dollar Ingersoll watch?

Mr. LYNE. The dollar Ingersoll watch was taken over by another American company, and then that other American company went out of business. In talking with one of the directors of the Waltham Watch Co.—we conferred with everybody after we were put in charge of the company's affairs—he said to me, "It is too bad that Waltham is so little known to the present generation, the younger generation"; to which we had adverted. He said, "You know, my son, who is in college, came to me recently and said, 'Dad, when did Waltham stop making those dollar watches?'"

He had Waltham confused with Ingersoll. And that is one of the results, and one of the dangerous results, today, that the flood of advertising has taken the name "Waltham" out of the minds of the American public.

When I was young, at any graduation from high school, or any graduation from college, the parental gift was usually a Waltham watch. That is not so today. The young people do not know the name "Waltham."

Senator LUCAS. Well, who is responsible for that? You do not lay that altogether on the Swiss people, do you? You do not blame the Swiss for the tendency to forget Waltham.

Mr. LYNE. To forget Waltham? The answer to that, or the trend of the answer to that, sir, is this: Advertising costs money. Full-page advertising in national magazines is especially costly.

I believe I have some of those advertisements here.

Senator LUCAS. I do not care to have you go into that. It is rather remote, and I will just withdraw it if you are going to go into any long discussion of it.

Mr. LYNE. Well, it is because Waltham has not been able to make profits comparable to those made by the assemblers of watches; and the reason for that, briefly, is that labor costs so much less in Switzerland than in the United States. That is the reason. You can't keep in the minds of the public, sir, the name of Waltham, when, as you and I know, sir, whenever we listen to a fight, or an athletic event, or a soap opera, or a give-away program, we hear the name of Bulova mentioned.

Whenever you hear a group of songs by 20 splendid mixed voices, you hear about Longines-Wittnauer. Those things are expensive. Waltham, losing money, could not spend any such amount. Elgin and Hamilton, making less money in '48 than they made in '40, could not spend it.

That, I believe, sir, is the answer to your question, briefly.

The CHAIRMAN. All right. Proceed, Mr. Lyne.

Mr. LYNE. Very well, sir.

Now, these three companies, which I have called the American companies, because they are the only ones who use exclusively American manufactured watch movements, employ about 8,500 people, a very small segment of the population of these United States. Of this total, Waltham employs about 2,300. These three groups of employees contain the country's fine precision workers. This group of workers, if they are scattered to other work by the fact that their employers are driven out of business, cannot be brought together again. It would take years to create a similar body of precision workers.

Senator LUCAS. Mr. Chairman?

The CHAIRMAN. Senator Lucas.

Senator LUCAS. How long does it take to produce a good watchmaker, as far as training is concerned?

Mr. LYNE. A good watchmaker doing the precision kinds of work? Of course, there are different kinds of workers. We are informed that it takes from 5 to 10 years to produce the ultimate watchmaker. The men who make the works where less accuracy in measurements is required can be trained in from 2 to 5 years. That is our information. To train a fine precision worker, who does the ultimate precision work on a watch, takes from 5 to 10 years, according to the information that has been given to the trustees.

If these men, this very small group, are scattered to other work because their employers are driven out of business, they cannot be brought together again. It would take years to again create a body of similar precision workers. And conditions of modern warfare do not allow a nation a period of years to prepare for a defense against an aggressor.

Now, it is not suggested by those who create American watch movements that the Swiss watchmaking industry be destroyed, but rather that the American watchmaking industry be not destroyed. Switzerland would continue to have all the countries of the world as markets for its watches, even if the American market were closed to it. But it is not proposed to close the American market to Swiss watches. All that American manufacturers of watch movements ask is that some means be devised which will leave for them at least one-half of the American watch market.

It is difficult to understand how the reasonableness of that modest request can be questioned. They had one-half of the American watch market prior to 1936. In 1936, a trade agreement was entered into reducing the tariff on imported watches.

Now, as to that trade agreement, I have heard, if the Washington Post reported correctly the proceedings here yesterday, that there was testimony from a witness who was in support of the opposite side from that which I am endeavoring to support, to the effect that the escape clause, so-called, was all that was necessary. Will you gentlemen please bear in mind, in considering this problem of the watchmakers, that there is no escape clause in that treaty of 1936. It is now required that all reciprocal trade treaties negotiated shall contain an escape clause. There is none in that treaty. The Geneva Convention put an escape clause in every single one of its reciprocal trade agreements. The reciprocal trade agreements which it is proposed to negotiate at Annecy in the not too distant future will all contain an escape clause. This agreement has no escape clause.

And what we would like, representing the Waltham Watch Co., would be to get at least as fair treatment as other industries. Because the industry is vital, at least we should have that. Then, the cumbersome machinery—I admit it is cumbersome—can work.

It is cumbersome because it is time-consuming. And I do not criticize the consumption of time, because there are important elements involved. But at least it should be borne in mind that in the reciprocal trade agreement with Switzerland there is not even an escape clause, which the President of the United States and all who have talked on this subject have said is an essential.

I recall that Woodrow Wilson said that there might come a time, or he at least posed a question if there might not come a time, when a nation would be justified in committing suicide. He was talking of a great issue, not an issue of this kind. And I do not believe that any nation is justified in committing suicide over a single word, whether the word be the word "liberal," the word "conservative," or the word "reciprocity." All of those labels are misused. We ask only, as Mr. Shennan put it, "equality at the border"; some arrangement, whatever the Congress may decide is the most apt, to give us an opportunity to compete with watches which, having come into these United States, after the duty is paid, are at least on a level of cost with the cost of the American manufactured watch.

As I say, that 1936 trade agreement reduced the tariff on imported watches. And as a result the American watchmaking industry's share in its own domestic market dropped at once from 50 percent to approximately 33 percent in the years 1937–39. It is now down to 20 percent, in the last year.

Devaluation of the Swiss franc after the trade agreement had been entered into helped in this reduction of America's share in its own market. So did America's increasing rates of wages. So did the very costly advertising over the radio and in American periodicals, to which one of the Senator's questions referred, which advertising the large and steadily increasing profits of importers of Swiss movements made possible.

Senator MILLIKIN. Mr. Chairman?

The CHAIRMAN. Senator Millikin?

Senator MILLIKIN. Do we have any figures that will compare our exports to Switzerland with Switzerland's exports to us?

Mr. LYNE. In the matter of watches? Or in all matters?

Senator MILLIKIN. Over-all.

Mr. LYNE. Yes, there are. And I think that has been testified to; and I shall not endeavor to state it from memory.

Senator MILLIKIN. Will that be testified to here?

Mr. LYNE. It was in the hearings before the committee of the other branch, and I assume it will be here, but I am not competent to give that.

Senator MILLIKIN. Does the Tariff Commission representative have that?

Mr. CENNERAZZO (Walter Cennerazzo, American Watchworkers' Union). I believe it was Mr. Carnow at the House hearings, who testified that the ratio in the last year was $3, coming in from Switzerland, to $1 that we sent over there. But there are some factors concerning that which, I believe, if they were broken down, would show that it wasn't all products that went to Switzerland from here. There may have been relief purchases and many other things involved in that.

I do think it would make interesting reading to have those imports from the United States to Switzerland broken down by articles, so that it can be seen once and for all. That is one of the interesting things that we have, that we have never been able to get a proper kind of information from the United States State Department, or from other sources, as to exactly what that trade consists of, what the costs of production are over there, and what they are here. We have never been able to get that kind of information.

The CHAIRMAN. We will get to that later. The gentleman who testified in the House will be here at a later date in this hearing.

Senator MCGRATH. May I ask a question, Mr. Chairman?

The CHAIRMAN. Senator McGrath.

Senator MCGRATH. You say that the agreement with Switzerland with respect to watches differs from other trade agreements, in that there is no escape clause.

Mr. LYNE. Yes, Senator.

Senator MCGRATH. And does that agreement run for a period of years?

Mr. LYNE. Yes; and it might be terminated very simply.

Senator MCGRATH. That is what I wanted to know. How can we terminate it and keep faith with our original agreement?

Mr. LYNE. Why, you can make a new agreement. Of course, that is an old agreement now. Most of them run for 3 years. It should have been terminated before. But you can only speak to one branch of the Government at a time. A new treaty could be entered into.

That power has been delegated by the Senate, if I am right about this, to the executive branch.

Senator McGRATH. Does this treaty run over a specified period of years?

Mr. LYNE. Yes. I think it could be terminated in 6 months.

Senator McGRATH. By notice?

Mr. LYNE. By notice; yes, Senator.

Senator McGRATH. Could you put into the record the agreement?

Mr. LYNE. The agreement with Switzerland?

Senator McGRATH. Yes.

Mr. LYNE. I do not have a copy of it, but I see an Assistant Secretary of State in the room.

The CHAIRMAN. Do you have a copy of the Swiss agreement, Mr. Brown?

Mr. BROWN (Winthrop G. Brown, Director, Office of International Trade Policy, State Department). Yes, sir.

The CHAIRMAN. If one is available, you can put it into the record.

(The material referred to is as follows:)

EXECUTIVE AGREEMENT SERIES, No. 90

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND SWITZERLAND

Signed at Washington, January 9, 1936.
Approved and confirmed by the President of the United States, January 9, 1936.
Proclaimed by the President of the United States, January 9, 1936.
Ratified by the Swiss Federal Council, April 28, 1936.
Instrument of approval and confirmation and instrument of ratification exchanged at Bern, May 7, 1936.
Supplementary proclamation by the President of the United States, May 7, 1936.
Articles I to XVII, inclusive, applied reciprocally February 15, 1936.
Entire agreement effective June 6, 1936.

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS it is provided in the Tariff Act of 1930 of the Congress of the United States of America, as amended by the Act of June 12, 1934, entitled "An Act to amend the Tariff Act of 1930" (48 Stat. 943), as follows:

"Sec. 350. (a) For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public, and in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) 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 President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified, is authorized from time to time—

"(1) To enter into foreign trade agreements with foreign governments or instrumentalities thereof; and

"(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. 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 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."

WHEREAS I, Franklin D. Roosevelt, President of the United States of America, have found as a fact that certain existing duties and other import restrictions of the United States of America and Switzerland are unduly burdening and restricting the foreign trade of the United States of America and that the purpose declared in the said Tariff Act of 1930, as amended by the said Act of June 12, 1934, will be promoted by a foreign trade agreement between the United States of America and the Swiss Federal Council;

WHEREAS reasonable public notice of the intention to negotiate such foreign trade agreement was given and the views presented by persons interested in the negotiation of such agreement were received and considered;

WHEREAS, after seeking and obtaining information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce, and from other sources, I entered into a foreign Trade Agreement on January 9, 1936, through my duly empowered Plenipotentiary, with the Swiss Federal Council, through their duly empowered Plenipotentiary, which Agreement, including two Schedules and a Declaration annexed thereto, in the English and French languages, is in words and figures as follows:

The President of the United States of America and the Swiss Federal Council, being desirous of facilitating and extending the commercial relations existing between the United States of America and Switzerland by granting mutual and reciprocal concessions and advantages for the promotion of trade, have through their respective Plenipotentiaries arrived at the following Agreement:

ARTICLE I

Articles the growth, produce or manufacture of the United States of America enumerated and described in Section A of Schedule I annexed to this Agreement shall, on their importation into the customs territory of Switzerland, be exempt from ordinary customs duties in excess of those set forth in the said Section. The said articles shall also be exempt from all other duties, taxes, fees, charges or exactions, imposed on or in connection with importation, in excess of those imposed on the day of the signature of this Agreement or required to be imposed thereafter under laws of Switzerland in force on the day of the signature of this Agreement.

With respect to articles enumerated and described in Section B of Schedule I for which import quotas are specified in the said Section, the quantities of such articles originating in the United States of America which shall be permitted to be imported annually into the customs territory of Switzerland, beginning with the day on which this Agreement comes into force, shall not be less than those specified in the said Section.

ARTICLE II

Articles the growth, produce or manufacture of Switzerland enumerated and described in Schedule II annexed to this Agreement shall, on their importation into the United States of America, be exempt from ordinary customs duties in excess of those set forth and provided for in the said Schedule. The said articles shall also be exempt from all other duties, taxes, fees, charges or exactions, imposed on or in connection with importation, in excess of those imposed on the day of the signature of this Agreement or required to be imposed thereafter under laws of the United States of America in force on the day of the signature of this Agreement.

ARTICLE III

The provisions of Articles I and II of this Agreement shall not prevent the Government of either country from imposing at any time on the importation of any article a charge equivalent to an internal tax imposed in respect of a like domestic article or in respect of a commodity from which the imported article has been manufactured or produced in whole or in part.

ARTICLE IV

Schedules I and II annexed to this Agreement, the notes included in them, and the Declaration annexed to this Agreement shall have force and effect as integral parts of this Agreement.

ARTICLE V

In respect of articles the growth, produce or manufacture of the United States of America or of Switzerland, enumerated and described in Schedules I and II, respectively, imported into the other country, on which ad valorem rates of duty, or duties based upon or regulated in any manner by value, are or may be assessed, it is understood and agreed that the bases and methods of determining dutiable value and of converting currencies shall be no less favorable to importers than the bases and methods prescribed under laws and regulations of Switzerland and the United States of America, respectively, in force on the day of the signature of this Agreement.

ARTICLE VI

Except as otherwise provided in this Agreement, no prohibitions, import or customs quotas, import licenses, or any other form of quantitative regulation, whether or not operated in connection with any agency of centralized control, shall be imposed by Switzerland on the importation or sale of any article the growth, produce or manufacture of the United States of America enumerated and described in Section A of Schedule I, nor by the United States of America on the importation or sale of any article the growth, produce or manufacture of Switzerland enumerated and described in Schedule II.

The foregoing provision shall not apply to quantitative restrictions in whatever form imposed by the United States of America or Switzerland on the importation or sale of any article the growth, produce or manufacture of the other country in conjunction with governmental measures operating to regulate or control the production, market supply, or prices of like domestic articles, or tending to increase the labor costs of production of such articles. The Government of the country imposing any such restriction will give sympathetic consideration to any representations which the Government of the other country may make in regard thereto and will consult promptly with the Government of such other country with respect to the subject matter of such representations; and if an agreement with respect thereto is not reached within thirty days following the receipt of written representations, the Government making them shall be free, within fifteen days after the expiration of the aforesaid period of thirty days, to terminate this Agreement in its entirety on thirty days' written notice.

ARTICLE VII

1. If the Government of the United States of America or Switzerland establishes or maintains any form of quantitative restriction or control of the importation or sale of any article in which the other country has an interest, or imposes a lower import duty or charge on the importation or sale of a specified quantity of any such article than the duty or charge imposed on importations in excess of such quantity, the Government taking such action shall:

(a) upon request inform the Government of the other country as to the total quantity, or any change therein, of any such article permitted to be imported or sold or permitted to be imported or sold at such lower duty or charge, during a specified period; and

(b) allot to the other country for such specified period a share of such total quantity as originally established or subsequently changed in any manner equivalent to the proportion of the total importation of such article which such other country supplied during a previous representative period, unless it is mutually agreed to dispense with such allotment.

2. Neither the United States of America nor Switzerland shall regulate the total quantity of importations into its territory or sales therein of any article in which the other country has an interest, by import licenses or permits issued to individuals or organizations, unless the total quantity of such article permitted to be imported or sold, during a quota period of not less than three months, shall have been established. The Government of each country will, upon request, inform the Government of the other country of the total quantity of any such article permitted to be imported and of the regulations covering the issuance of such licenses or permits.

ARTICLE VIII

In the event that the United States of America or Switzerland establishes or maintains a monopoly for the importation, production or sale of an article or grants exclusive privileges, formally or in effect, to one or more agencies to import, produce or sell an article, the Government of the country establishing or maintaining such monopoly, or granting such monopoly privileges, agrees that in respect of the foreign purchases of such monopoly or agency the commerce of the other country shall receive fair and equitable treatment. It is agreed that in making its foreign purchases of any article such monopoly or agency will be influenced solely by competitive considerations. such as price, quality, marketability, and terms of sale.

ARTICLE IX

Articles the growth, produce or manuufacture of the United States of America or Switzerland, shall, after importation into the other country, be exempt from all internal taxes, fees, charges or exactions other or higher than those payable on like articles of domestic origin or any other foreign origin.

ARTICLE X

The United States of America and Switzerland agree to grant each other unconditional and unrestricted most-favored-nation treatment in all matters concerning customs duties and charges of every kind and in the method of levying duties and, further, in all matters concerning the rules, formalities and charges imposed in connection with the clearing of goods through the customs, and with respect to all laws or regulations affecting the sale or use of imported goods within the country.

Accordingly, natural or manufactured products having their origin in the United States of America or Switzerland shall in no case be subject in the other country, in regard to the matters referred to above, to any duties, taxes or charges other or higher, or to any rules or famalities other or more burdensome, than those to which the like products having their origin in any third country are or may hereafter be subject.

Similarly, natural or manufactured products exported from the territory of the United States of America or Switzerland and consigned to the territory of the other country shall in no case be subject, with respect to exportation and in regard to the above-mentioned matters, to any duties, taxes or charges other or higher, or to any rules or formalities other or more burdensome, than those to which the like products when consigned to any third country are or may hereafter be subject.

Any advantage, favor, privilege or immunity which has been or may hereafter be granted by the United States of America or Switzerland, in regard to the abovementioned matters, to a natural or manufactured product originating in any third country or consigned to the territory of any third country, shall be accorded immediately and without compensation to the like product originating in or consigned to the territory of Switzerland or the United States of America, respectively.

ARTICLE XI

In the event that a wide variation occurs in the rate of exchange between the currencies of the United States of America and Switzerland, the Government of either country, if it considers the variation so substantial as to prejudice the industries or commerce of the country, shall be free to propose negotiations for the modification of this Agreement or to terminate this Agreement in its entirely on thirty days' written notice.

ARTICLE XII

The Government of the United States of America or the Government of Switzerland, as the case may be, will accord sympathetic consideration to, and when requested will afford adequate opportunity for consultation regarding, such representations as the other Government may make with respect to the operation of customs regulations, quantitative restrictions or the administration thereof, the observance of customs formalities, and the application of sanitary laws and regulations for the protection of human, animal, or plant life or health.

In the event that the Government of either country makes representations to the Government of the other country in respect of the application of any sanitary law or regulation for the protection of human, animal, or plant life or health, and if there is disagreement with respect thereto, a committee of technical experts on which each Government will be represented shall, on the request of either Government, be established to consider the matter and to submit recommendation to the two Governments.

ARTICLE XIII

Except as otherwise provided in the second paragraph of this Article, the provisions of this Agreement relating to the treatment to be accorded by the United States of America and Switzerland, respectively, to the commerce of the other country, shall not apply to the Philippine Islands, the Virgin Islands, American Samoa, the Island of Guam, or to the Panama Canal Zone.

The provisions of this Agreement regarding most-favored-nation treatment shall apply to articles the growth, produce or manufacture of any territory under the sovereignty or authority of the United States of America or Switzerland, imported from or exported to any territory under the sovereignty or authority of the other country. It is understood, however, that the provisions of this paragraph do not apply to the Panama Canal Zone.

The advantages now accorded or which may hereafter be accorded by the United States of America, its territories or possessions, the Philippine Islands, or the Panama Canal Zone to one another or to the Republic of Cuba shall be excepted from the operation of this Agreement. The provisions of this paragraph shall continue to apply in respect of any advantages now or hereafter accorded by the United States of America, its territories or possessions or the Panama Canal Zone to the Philippine Islands irrespective of any change in the political status of the Philippine Islands.

The provisions of this Agreement shall apply to the Principality of Liechtenstein as long as it is bound to Switzerland by a customs union treaty.

ARTICLE XIV

The provisions of this Agreement relating to the treatment to be accorded by the United States of America and Switzerland to the commerce of the other country do not apply to advantages now accorded or which may hereafter be accorded to adjacent countries in order to facilitate frontier traffic, and advantages resulting from a customs union to which either the United States of America or Switzerland is now or may become a party, shall be excepted from the operation of this Agreement.

Nothing in this Agreement shall be construed to prevent the adoption of measures prohibiting or restricting the exportation or importation of gold or silver, or to prevent the adoption of such measures as either Government may see fit with respect to the control of the export or sale for export of arms, ammunition, or implements of war, and, in exceptional circumstances, all other military supplies.

Subject to the requirement that there shall be no arbitrary discrimination by either country against the other country in favor of any third country under like circumstances, the provisions of this Agreement shall not extend to prohibitions or restrictions (1) imposed on moral or humanitarian grounds; (2) designed to protect human, animal or plant life or health; (3) relating to prison-made goods; or (4) relating to the enforcement of police or revenue laws.

ARTICLE XV

In the event that the Government of the United States of America or the Government of Switzerland adopts or changes any measure or practice which, even though it does not conflict with the terms of this Agreement, is considered by the Government of the other country to have the effect of nullifying or impairing any object of the Agreement, the Government which has adopted or changed any such measure or practice shall consider such written representations or proposals as the other Government may make with a view to effecting a mutually satisfactory adjustment of the matter. If no agreement is reached with respect to such representations or proposals within thirty days after they are received, the Government making them shall be free, within fifteen days after the expiration of the aforesaid period of thirty days, to terminate this Agreement in its entirety on sixty days' written notice.

ARTICLE XVI

The Government of the United States of America and the Government of Switzerland reserve the right to withdraw or to modify the concession granted on any article under this Agreement, or to impose quantitative restrictions on any such article if, as a result of the extension of such concession to third countries, such countries obtain the major benefit of such concession and in consequence thereof an unduly large increase in importations of such article takes place: *Provided*, That before the Government of either country shall avail itself of the foregoing reservation, it shall give notice in writing to the other Government of its intention to do so, and shall afford such other Government an opportunity within thirty days after receipt of such notice to consult with it in respect of the proposed action; and if an agreement with respect thereto is not reached within thirty days following receipt of the aforesaid notice, the Government which proposed to take such action shall be free to do so at any time thereafter, and the other Government shall be free within fifteen days after such action is taken to terminate this Agreement in its entirety on thirty days' written notice.

ARTICLE XVII

The purpose of this Agreement being to facilitate and increase trade, it is understood and agreed that if the United States of America should make effective any measure with respect to the prevention of smuggling which the Government of Switzerland should consider as restricting unduly or having the effect of restricting unduly the legitimate importation of or trade in Swiss watches or watch movements, the Government of the United States of America will give most sympathetic consideration to any written representations which the Government of Switzerland may make with respect thereto. If, within thirty days after the receipt of such representations, no satisfactory understanding or adjustment has been effected, the Government of Switzerland shall have the right, within fifteen days after the expiration of the aforesaid period of thirty days, to terminate the Declaration annexed to this Agreement, or this Agreement in its entirety, on sixty days' written notice.

ARTICLE XVIII

The present Agreement shall be approved and confirmed by the President of the United States of America by virtue of the Act of the Congress of the United States of America approved June 12, 1934, entitled "AN ACT to amend the tariff Act of 1930", and shall be ratified by the Swiss Federal Council with the consent of the Federal Assembly of the Swiss Confederation.

Pending the exchange of the instrument of approval and confirmation and the instrument of ratification which shall take place at Bern as soon as possible, the provisions of Articles I to XVII, inclusive, shall be applied reciprocally by the United States of America and Switzerland on February 15, 1936, and thereafter until the day on which the entire Agreement shall come into force.

The entire Agreement shall come into force thirty days after the day of the exchange of the instrument of approval and confirmation and the instrument of ratification. The Agreement shall continue in force until February 14, 1939, subject to the provisions of Article VI, Article XI, Article XV, Article XVI and Article XVII.

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Unless at least six months before February 14, 1939, the Government of either country shall have given to the other Government notice of intention to terminate this Agreement on that date, the Agreement shall remain in force thereafter, subject to the provisions of Article VI, Article XI, Article XV, Article XVI and Article XVII, until six months from the day on which the Government of either country shall have given such notice to the other Government.

In witness whereof the respective Plenipotentiaries have signed this Agreement and have affixed their seals hereto.

Done in duplicate, in the English and French languages, both authentic, at the City of Washington, this ninth day of January, nineteen hundred and thirty-six.

For the President of the United States of America:

CORDELL HULL [SEAL]

For the Swiss Federal Council:

MARC PETER [SEAL]

SCHEDULE I

Section A

Swiss Tariff Number	Description of Articles	Rate of duty Swiss Francs per 100 kilograms
12	Rice in milled, husked or broken grains; groats and semolina of rice	4.50
25 a 1	Plums and prunes, dried or pressed, not pitted, in containers of all kinds weighing 50 kilograms or more	5.—
25 a 2	Plums and prunes, dried or pressed, not pitted, in containers of all kinds weighing less than 50 kilograms	10.—
EX 27	Apricots, dried or pressed, pitted	40.—
33	Raisins of all kinds, except Malaga-raisins and Denia-raisins in clusters	10.—
EX 44 b	Preserved asparagus, in containers of all kinds weighing 5 kilograms or less	40.—
EX 89 b	Sardines (pilchards) and herrings in tomato sauce; preserved salmon: in containers of all kinds weighing 3 kilograms or less	10.—
95	Lard	20.—
	Note to 95; The supplementary duty of 20 francs per 100 kilograms is suppressed.	
101 b	Preserved fruits of all kinds, including those in sugar or in alcohol, in any type of container (including candied fruits); except those classified under number 101 a	45.—
(102)	*Note to 102;* Chewing-gum is admitted under this number at the rate of 80.—francs per 100 kilograms.	
Ex 103	Shrimps, preserved	50.—
149	Bladders, intestines, rennet	2.—
Ex 184	Goat and kid leather, chrome-tanned	20.—
Ex 237	Douglas fir, for building and industrial purposes, sawn or split lengthwise or even completely squared, other than sleepers, vine-props and hoop-wood	2.50
Ex 330 a	Wallboards of vegetable fiber, regardless of condition or size	15.—
341	Cotton, raw	0.20
Ex 522	Pneumatic tire casings and inner tubes of rubber, combined with metal or fabric	20.—
Ex 541	Socks and stockings of natural silk	800.—
628 b	Electrodes, unmounted, other than those classified under number 628 a	1.20
632 a	Emery powder, carborundum, and other similar artificially made polishing and sharpening substances: broken up (in grains, powder, etc.)	6.—
	Electric refrigerating machines and apparatus, and parts thereof, weighing each:	
Ex 882 e	—2500 kilograms and more	30.—
Ex 882 f	—500 kilograms to less than 2500 kilograms	80.—
Ex 882 g	—100 kilograms to less than 500 kilograms	150.—
Ex 882 h	—less than 100 kilograms	200.—
Ex 882 i	Refrigerator cabinets of all kinds, without internal mechanism	80.—
	Oil-burners, and parts thereof, weighing each:	
Ex 882 g	— 100 kilograms to less than 500 kilograms	120.—
Ex 882 h	— less than 100 kilograms	180.—
890 b	Typesetting machines for book printing and other graphic industries; bookbinding machinery, other than printing-presses classified under number 890 a	10.—
	Passenger automobiles and chassis therefor, weighing each:	
Ex 914 a	— less than 800 kilograms	110.—
Ex 914 b	— 800 to 1200 kilograms inclusive	130.—
Ex 914 c	— more than 1200 to 1600 kilograms inclusive	150.—
Ex 914 d	— more than 1600 kilograms	170.—
948 a 1	Typewriters and parts thereof	400—
948 a 2	Cash-registers, registering accounting machines, and parts thereof	80.—
	Calculating machines and parts thereof, weighing each:	

Section A—Continued

Swiss Tariff Number	Description of Articles	Rate of duty Swiss Francs per 100 kilograms
948 b [1]	— more than 100 kilograms	300.—
948 b [2]	— more than 20 to 100 kilograms inclusive	450.—
948 b [3]	— more than 12 to 20 kilograms inclusive	600.—
948 b [4]	— 12 kilograms or less	800.—
	Note to 948: Stands for the above will be classified under position 784 b as painted steel office furniture.	
1065 a	Coal-tar derivatives and auxiliary materials for the manufacture of aniline dyes, such as naphthalene, anthracene, carbolic acid (phenol), toluol, benzoic acid, etc.	1.—
1129	Paraffin and ceresin, pure, unmanufactured	1.—
1130	Petrolatum	1.—
1132 a	Lubricating greases, mineral	9.—

Section B

Swiss Tariff Number	Description of Articles	Annual Quotas in 100 kilograms
1	Wheat	1,180,000
12	Rice in milled, husked or broken grains; groats and semolina of rice	20,000
24 a	Apricots, apples, pears, fresh, but not in bags or in bulk	24,146
25 a [1]	Plums and prunes, dried or pressed, not pitted, in containers of all kinds weighing 50 kilograms or more	24,709
25 a [2]	Plums and prunes, dried or pressed, not pitted, in containers of all kinds weighing less than 50 kilograms	
27	Fruits, dried or pressed, pitted or stoned	11,000
44 b	Vegetables preserved in vinegar or otherwise, in containers of all kinds weighing 5 kilograms or less, other than preserved tomatoes, but including preserved asparagus	10,000
95	Lard	90% of total Swiss Imports
	Note: The Swiss Government agrees that not less than ninety percent of the total permitted importations of lard shall consist of lard originating in the United States of America. The annual quota thus allotted to the United States shall be divided into four equal calendar quarter quotas. Should any part of such quarterly quota not be utilized, the unused portion thereof may be re-allocated to other countries. If, however, an import permit issued to a given importer has not been utilized within thirty days of its issuance, the Swiss authorities agree to offer to the other importers entitled to import lard from the United States the right to import, within thirty days, the quantity stipulated in the said permit. The Swiss Government will authorize the importation of lard within three months after this Agreement comes into force.	
237	Resinous wood, for building and industrial purposes, sawn or split lengthwise or even completely squared, other than sleepers, vine-props and hoop-wood	75,000
Ex 330 a	Wallboards of vegetable fiber, regardless of condition or size	3,000
Ex 522	Pneumatic tire casings and inner tubes of rubber, combined with metal or fabric	6,912
541	Socks and stockings: of natural silk (without special permit) 15 of natural or artificial silk 15 Total	30
643 b	Petroleum residues for heating purposes	300,000
Ex 882 e/i	Electric refrigerating machines and apparatus, and parts thereof	2,821
Ex 882 e/h	Oil-burners, and parts thereof	280
		Units
Ex 914 a/d	Passenger automobiles and trucks, and chassis therefor	4,812
		in 100 kilograms
954 a	Radio apparatus, with or without cabinets *Note to 954 a:* 800 quintals correspond to 5,600 radio sets, with or without cabinets, provided that separately imported parts and accessories, including tubes, will be charged against the quota in the proportion of 100 kilograms equals 7 sets.	800
1065 b	Benzine and benzol, for motors	650,000
1126 and 1126 a	Kerosene	117,000
1131 b	Mineral lubricating oils, unmanufactured	145,000

SCHEDULE II

United States Tariff Act of 1930 Paragraph	Description of Articles	Rate of Duty
	NOTE: The provisions of this Schedule shall be construed and given the same effect, and the application of collateral provisions of the customs laws of the United States to the provisions of this Schedule shall be determined insofar as may be practicable, as if each provision of this Schedule appeared respectively in the statutory provision noted in the column at the left of the respective descriptions of articles. In the case of articles enumerated in this Schedule, which are subject on the day of the signature of this Agreement to additional or separate ordinary customs duties, whether or not imposed under the statutory provision noted in the column at the left of the respective description of the article, such separate or additional duties shall continue in force, subject to any reduction indicated in this Schedule or hereafter provided for, until terminated in accordance with law, but shall not be increased.	
1	Chloroacetic acid	2½c per lb.
1	Barbituric acids not specially provided for	25% ad val.
5	Salts and compounds of barbituric acids, and combinations and mixtures of any of the foregoing, not specially provided for	25% ad val.
5 and 23	Salts and compounds of gluconic acid and combinations and mixtures of any of the foregoing; digitalis glucosides, and ergotamine tartrate; all the foregoing not specially provided for, whether or not in any form or container specified in paragraph 23	15% ad val.
28 (a)	Coal-tar products: All colors, dyes, or stains, whether soluble or not in water, except those provided for in subparagraph (b) of paragraph 28	40% ad val., but not less than 3½¢ per lb. and 22½% ad val.
28 (a)	Artificial musk, not mixed and not compounded, and not containing alcohol, when obtained, derived, or manufactured in whole or in part from any of the products provided for in paragraph 27 or 1651	22½% ad val., and 7¢ per lb.
28 (a)	Heliotropin, not mixed and not compounded, and not containing alcohol, when obtained, derived, or manufactured in whole or in part from any of the products provided for in paragraph 27 or 1651	22½% ad val., and 3½¢ per lb.
60	Perfume materials, not mixed and not compounded, not specially provided for, and not containing over 10 per centum of alcohol: Geraniol Hydroxycitronellal	 30% ad val. 22½% ad val.
72	Lead pigments: Pigments composed in chief value of suboxide of lead, dry, or in pulp, or ground in or mixed with oil or water, not specially provided for	3¢ per lb., but not less than 15% nor more than 30% ad val.
302 (j)	Alsimin, ferrosilicon aluminum, and ferroaluminum silicon: Containing 20 but not more than 52 per centum of aluminum, and having silicon and iron as the other principal component elements Not specially provided for	 1¼¢ per lb. 2½¢ per lb.
302 (o)	Alloys not specially provided for, used in the manufacture of steel or iron and containing not less than 28 per centum of iron, not less than 18 per centum of aluminum, not less than 18 per centum of silicon, and not less than 18 per centum of manganese	12½% ad val.
353	Testing machines for determining the strength of materials or articles in tension, compression, torsion, or shear, having as an essential feature an electrical element or device, and parts thereof; any of the foregoing, finished or unfinished, wholly or in chief value of metal, and not specially provided for	20% ad val.
353	Steam boilers operating with water under forced circulation at a rate of circulation at least eight times the rate of evaporation, and having combustion chambers designed for a working pressure exceeding 30 pounds absolute to the square inch, having as an essential feature an electrical element or device, and parts thereof; any of the foregoing, finished or unfinished, wholly or in chief value of metal, and not specially provided for	20% ad val.
360	Laboratory instruments, apparatus, or appliances, for determining the strength of materials or articles in tension, compression, torsion, or shear, and parts of the foregoing; any of the foregoing wholly or in chief value of metal, and not plated with gold, silver, or platinum, finished or unfinished, not specially provided for	20% ad val.
362	Files, file blanks, rasps, and floats, of whatever cut or kind: 2½ inches in length and under Over 2½ and not over 4½ inches in length Over 4½ and under 7 inches in length	 20¢ per doz. 25¢ " " 35¢ " "

SCHEDULE II—Continued

United States Tariff Act of 1930 Paragraph	Description of Articles	Rate of Duty
367 (a)	Watch movements, and time-keeping, time-measuring, or time-indicating mechanisms, devices, and instruments, whether or not designed to be worn or carried on or about the person, all the foregoing, if less than 1.77 inches wide and not having more than 17 jewels, whether or not in cases, containers, or housings:	
	(1) If more than 1 inch wide	$0.90 each
	If more than 9/10 of 1 inch but not more than 1 inch wide	$1.20 each
	If more than 9/10 of 1 inch but not more than 9/10 of 1 inch wide	$1.35 each
	If 9/10 of 1 inch or less wide	$1.80 each
	(2) Any of the foregoing having no jewels or only one jewel:	
	If 9/10 of 1 inch or less wide	90¢ each
	If more than 9/10 of 1 inch wide	75¢ each
	(3) Any of the foregoing having more than seven jewels shall be subject to an additional duty of	9¢ for each jewel in excess of seven
	(4) Any of the foregoing shall be subject for each adjustment of whatever kind (treating adjustment to temperature as two adjustments) in accordance with the marking as provided in subparagraph (b) of paragraph 367 to an additional duty of	50¢ for each adjustment
	(5) Any of the foregoing, if constructed or designed to operate for a period in excess of 47 hours without rewinding, or if self-winding, or if a self-winding device may be incorporated therein, shall be subject to an additional duty of	50¢ each
	Provided, That the foregoing provisions shall not apply to any movement, mechanism, device, or instrument which contains less than seven jewels if such movement, mechanism, device, or instrument contains a bushing or its equivalent (other than a substitute for a jewel) in any position customarily occupied by a jewel.	
367 (c)	Parts specified hereunder for any of the movements, mechanisms, devices, or instruments provided for in paragraph 367 shall be dutiable as follows:	
	(3) Each assembly or subassembly (unless dutiable under clause (1) of subparagraph 367(c)) consisting of two or more parts or pieces of metal or other material joined or fastened together shall be subject to a duty of	2¢ for each such part or piece of material,
	except that in the case of jewels the duty shall be	9¢ instead of 2¢,
	and except that in the case of pillar or bottom plates or their equivalent the duty shall be	the rate provided in clause (2) of subparagraph 367(c) instead of 2¢
	and except that in the case of a balance assembly the duty shall be	35¢ for the assembly instead of 2¢ for each part or piece thereof.
	No assembly or subassembly shall be subject to a greater amount of duty than would be borne by the complete movement, mechanism, device, or instrument for which suitable, nor to a less rate of duty than	45% ad val.
	For the purpose of this clause a balance assembly shall be an assembly consisting of a balance wheel, balance staff, and hairspring, with or without the other parts commercially known as parts of a balance assembly. For the purpose of this clause bimetallic balance wheels (not part of a balance assembly), and mainsprings with riveted ends, shall each be considered as one part or piece;	
	(4) All other parts (except jewels and except those provided for in subparagraph 367(c) (1) and (2)).	
367 (d)	Jewels, suitable for use in any movement, mechanism, device, or instrument, dutiable under paragraph 367 or paragraph 368, or in any meter or compass	55% ad val.
367 (e)	Dials for any of the movements, mechanisms, devices, or instruments provided for in paragraph 367, if such dials are less than 1.77 inches wide and are imported separately	10% ad val.
367 (f)	All cases, containers, or housings, designed or suitable for the enclosure of any of the movements, mechanisms, devices, or instruments provided for in paragraph 367, whether or not containing such movements, mechanisms, devices, or instruments, and whether finished or unfinished, complete or incomplete, except such containers as are used for shipping purposes only:	2½¢ each and 45% ad val.
	(1) If made of gold or platinum	75¢ each and 30% ad val.

SCHEDULE II—Continued

United States Tariff Act of 1930 Paragraph	Description of Articles	Rate of Duty
	(2) If in part of gold, silver, or platinum, or wholly of silver	40¢ each and 30% ad val.
	(3) If set with precious, semiprecious, or imitation precious, or imitation semiprecious stones, or if prepared for the setting of such stones	40¢ each and 30% ad val.
	(4) If of base metal (and not containing gold, silver, or platinum)	10¢ each and 25% ad val.
367	All articles provided for in paragraph 367, but not provided for heretofore in this Schedule	the rate or rates of duty prescribed in paragraph 367
368 (a)	Lever movements of plate and bridge type construction for clocks or other time-keeping, time-measuring, or time-indicating mechanisms, devices, or instruments, 1.77 inches or more but not over 2 inches in width as defined in subparagraph 367 (h), and having more than four jewels; clocks and other time-keeping, time-measuring, or time-indicating mechanisms, devices, or instruments containing such movements; synchronous and subsynchronous motors of less than one-fortieth of one horsepower valued at not more than $3 each, not including the value of gears or other attachments; mechanisms, devices, or instruments intended or suitable for measuring the flowage of electricity; time switches; all the foregoing which are provided for in paragraph 368 whether or not in cases, containers, or housings:	
	(1) If valued at not more than $1.10 each	27½ each
	Valued at more than $1.10 but not more than $2.25 each	50¢ each
	Valued at more than $2.25 but not more than $5 each	75¢ each
	Valued at more than $5 but not more than $10 each	$1.50 each
	Valued at more than $10 each	$2.25 each
	(2) Any of the foregoing shall be subject to an additional duty of	32½% ad val.
	(3) Any of the foregoing containing jewels shall be subject to an additional cumulative duty of	12½¢ for each such jewel.
372	Jig-boring machine tools	15% ad val.
372	Knitting machines (except full-fashioned hosiery and circular knitting machines), finished or unfinished, and not specially provided for	27½% ad val.
372	Hydraulic reaction turbines and hydraulic impulse wheels, not specially provided for	15% ad val.
372	Machines not specially provided for, finished or unfinished, for determining the strength of materials or articles in tension, compression, torsion, or shear	20% ad val.
382 (a)	Aluminum foil less than six one-thousandths of one inch in thickness	11¢ per lb., but not less than 20% nor more than 40% ad val.
397	Rivets, nuts, and washers, any of the foregoing having shanks, threads, or holes not exceeding twenty-four one-hundredths of one inch in diameter; screws, commonly called wood screws, having shanks not exceeding twelve one-hundredths of one inch in diameter; all the foregoing composed wholly or in chief value of base metal other than iron or steel, but not plated with platinum, gold, or silver, or colored with gold lacquer, and not specially provided for	30% ad val.
397	Screws, except those commonly called wood screws, having shanks or threads not exceeding twenty-four one-hundredths of one inch in diameter, composed wholly or in chief value of iron, steel, or other base metal, but not plated with platinum, gold, or silver, or colored with gold lacquer, and not specially provided for	30% ad val.
710	Cheese having the eye formation characteristic of the Swiss or Emmenthaler type; and Gruyere process-cheese	7¢ per lb., but not less than 20% ad val.
904 (b) (c)	Cotton cloth, bleached, printed, dyed, or colored, weighing less than one and two-thirds ounces per square yard and containing yarns the average number of which exceeds number 85, not woven with swivel attachments	35% ad val.
904 (b) (c) (d)	Cotton cloth, bleached, printed, dyed, or colored, containing yarns the average number of which exceeds number 40, and woven with swivel attachments	35% ad val.
917	Knit underwear, finished or unfinished, wholly or in chief value of cotton or other vegetable fiber, valued at more than $1.75 per pound, and not specially provided for	30% ad val.
1114 (c)	Knit underwear, finished or unfinished, wholly or in chief value of wool, valued at more than $1.75 per pound	50¢ per lb. and 30% ad val.
1205	Silk bolting cloth, not specially provided for	30% ad val.

SCHEDULE II—Continued

United States Tariff Act of 1930 Paragraph	Description of Articles	Rate of Duty
1205	Woven fabrics in the piece, not exceeding thirty inches in width, whether woven with fast or split edges, the fibers of which are wholly of silk, yarn-dyed, whether or not Jacquard-figured, and valued at more than $5.50 per pound	45% ad val.
1205	Woven fabrics in the piece, not exceeding thirty inches in width, whether woven with fast or split edges, bleached, printed, dyed, or colored, but not Jacquard-figured, the fibers of which are chiefly but not wholly of silk, including umbrella silk or Gloria cloth	50% ad val.
1208	Knit underwear, finished or unfinished, wholly or in chief value of silk, valued at more than $1.75 per pound	35% ad val.
1301	Single filaments of rayon or other synthetic textile, known as artificial horsehair	35% ad val., but not less than 30¢ per lb.
1309	Knit underwear, finished or unfinished, wholly or in chief value of rayon or other synthetic textile, valued at more than $1.75 per pound	45¢ per lb. and 35% ad val.
1413	Stereotype-matrix mat or board valued at more than 1/45 of 1 cent per square inch	20% ad val.
1504 (a)	Braids, plaits, laces, and willow sheets or squares, in chief value of straw, chip, paper, grass, palm leaf, willow, osier, rattan, real horsehair, cuba bark, or manila hemp, and braids and plaits in chief value of ramie, all the foregoing suitable for making or ornamenting hats, bonnets, or hoods, and containing a substantial part of rayon or other synthetic textile (but not in chief value thereof)	24¢ per lb., but not less than 22½% not more than 45% ad val.
1504 (b) (3)	Men's Yeddo hats composed wholly or in chief value of unsplit straw, blocked but not trimmed (whether or not bleached, dyed, colored, or stained)	$3.50 per doz., but not less than $1.75 per doz. and 25% ad val.
1529 (a)	Braids (including braids or bandings made wholly or in part of braids, but not including materials or articles provided for in paragraph 1504), suitable for making or ornamenting hats, bonnets, or hoods, loom woven and ornamented in the process of weaving, or made by hand, or on a lace, knitting, or braiding machine, composed wholly or in chief value of rayon or other synthetic textile, or of yarn, threads, or filaments other than cotton, valued at more than $1 per pound	$1 per lb., but not less than 45% nor more than 90% ad val.
1520 (a)	Insertings, edgings, galloons, flouncings, and all-overs; articles in chief value of one or more of the foregoing, except articles of wearing apparel not specified by name in this provision; curtains, panels, paneling, valances, sheets, pillowcases, bedspreads, bolster cases, bed sets, mats, doilies, rounds, ovals, oblongs, squares, motifs, bureau or table scarfs and sets, piano scarfs, chair back and chair arm covers, antimacassars, table cloths, napkins, bridge or luncheon sets, handkerchief cases, glove cases, handbags, purses, collars, cuffs, collar and cuff sets, jabots, yokes, plastrons, aprons, and boudoir caps: all the foregoing, finished or unfinished, however, described and provided for in paragraph 1529(a), which are embroidered or tamboured and which are wholly or in chief value of cotton	60% ad val
	Provided, That this provision shall not apply to laces, lace fabrics, and lace articles, made in any part on a lace machine, nor to articles or materials embroidered or tamboured in any part by hand or otherwise than with the use of multiple-needle, Cornely, or Bonnaz embroidery machines (except that the edges may be embroidered with the use of other machines); but no article or material shall be excluded from this provision by reason of the incidental ornamentation thereof by hand by means of spider work, faggoting, or similar stitches, extending across openwork resulting from the removal of a part of the fabric.	
1529 (a)	Insertings, edgings, galloons, flouncings, and all-overs, any of the foregoing which are burnt-out laces, and finished or unfinished articles in chief value of one or more of the foregoing; all the foregoing, however described and provided for in paragraph 1529 (a)	60% ad val.

SCHEDULE II—Continued

United States Tariff Act of 1930 Paragraph	Description of Articles	Rate of Duty
1529 (b)	Handkerchiefs, wholly or in part of machine-made lace; handkerchiefs embroidered (whether with a plain or fancy initial, monogram, or otherwise, and whether or not the embroidery is on a scalloped edge), tamboured, appliqued, or from which threads have been omitted, drawn, punched, or cut, and with threads introduced after weaving to finish or ornament the openwork, not including one row of straight hemstitching adjoining the hem; any of the foregoing, finished or unfinished, which contain no handmade lace and which are not embroidered or tamboured in any part by hand:	
	Composed wholly or in chief value of cotton	2¢ each and 30% ad val.
	Composed wholly or in chief value of vegetable fiber other than cotton:	
	If finished and valued at 80 cents or more per dozen	2¢ each and 30% ad val.
	If unhemmed and without any finished edge, and valued at 45 cents or more per dozen	2¢ each and 30% ad val.
1530 (e)	Turn or turned boots and shoes, made wholly or in chief value of leather, not specially provided for	10% ad val.
1541 (a)	Music boxes and parts thereof, not specially provided for	20% ad val.
1558	Preparations for flavoring or seasoning food, in chief value of yeast extract, containing no alcohol, and not including sauces	12½% ad val.
1626	Bolting cloths composed of silk, imported expressly for milling purposes, and so permanently marked as not to be available for any other use	Free

DECLARATION

With a view to cooperating with the Government of the United States of America in its efforts to suppress the smuggling of watches and watch movements, the Government of Switzerland will establish and maintain with the collaboration of the appropriate organizations of the Swiss Watch Industry, the following system of regulation of the exportation of watches and watch movements from Switzerland to the United States:

1. Watches and watch movements other than those purchased at retail may not be exported from Switzerland to the United States except under export permits issued by a Swiss watch organization to be designated by the Government of Switzerland. Such permits shall be viséed by the Swiss Customs Authorities when the shipments are exported from Switzerland and shall be delivered to the appropriate American Consulate in Switzerland. The export permit shall be substantially in the form attached hereto.

2. Watches and watch movements destined for the United States shall be exported through the Swiss Custom House at the place or places to be designated by the Swiss Customs Authorities, for direct shipment to the United States.

3. Watches and watch movements exported from Switzerland to the United States shall be permanently marked with a distinguishing mark distinct for each importer in the United States. Current lists of such marks, and the names and addresses of the persons to whom allocated, shall be furnished by the Swiss Government to the American Legation at Bern. However, such mark shall not be required in the case of watches or watch movements which are or may hereafter be permitted to be legally imported into the United States without marking.

4. The appropriate organizations of the Swiss Watch Industry will take such measures as are necessary to insure:

(a) that their members keep regular accounts, periodically audited, and that they furnish complete information to a central organization in Switzerland regarding their exports of watches and watch movements to the United States, in particular, the dates, quantities and values of their shipments, the style of their products, the names of the suppliers of the exported articles, and the names of the importers in the United States; and

(b) that infringements of this system of regulation of exports are punished in accordance with the conventions of the Swiss Watch Industry; it being understood that one of the penalties to be imposed shall be the temporary or permanent refusal of export permits for future shipments to the United States.

5. Upon request through the appropriate channels, the Swiss watch organization which is designated by the Government of Switzerland for the issuance of export permits will furnish information to the American Customs Authorities regarding the smuggling or suspected smuggling into the United States of watches and watch movements.

6. The Swiss watch organization which is designated by the Government of Switzerland for the issuance of export permits will, after due warning, refuse to issue export permits for the shipment of watches and watch movements for the account of any person in the United States if there is probable cause to believe that such person has smuggled or is engaged in the smuggling of watches or watch movements into the United States and if such person has refused to permit a duly accredited customs officer of the United States to inspect his stock or records pertaining to such merchandise or the purchase or importation thereof.

The system of regulation of exports described above shall be put into operation on May 1, 1936, and shall continue to operate as long as the trade agreement remains in force, subject to the provisions of Article XVII of the said trade agreement.

Form of Export Permit for Watches and Watch Movements

Mr. _____
(Name of Exporter)
residing at _____ Switzerland, applies for an export permit for a shipment to the United States as described below.
Consignee: goods sent to _____
(Name and address)
Ultimate consignee _____
(Name and address)
Country of origin: SWITZERLAND
Nature and quantity of the goods (as described in the U. S. A. Customs tariff) _____
Value of the goods sent _____
(in Swiss francs)
Goods exported from Switzerland through:
For importation into the U. S. A. through port of:
Marks and numbers on case or parcels _____
Signature of exporter _____
(Seal)
Date _____ 19____
La Chaux-de-Fonds, _____ 19____
(SWITZERLAND)
THE SWISS WATCH CHAMBER OF COMMERCE
_____
(Seal)

Visa of the Swiss Customs Authorities at
_____
(Seal)

WHEREAS such modifications of existing duties and other import restrictions and such continuance of existing customs and excise treatment as are set forth and provided for in the said Agreement and the two Schedules thereunto annexed are required and appropriate to carry out the said Agreement;

WHEREAS it is stipulated in Article XVIII of the said Agreement that the Agreement shall be approved and confirmed by the President of the United States of America, by virtue of the Act of the Congress of the United States of America approved June 12, 1934, entitled "AN ACT To Amend the Tariff Act of 1930", and shall be ratified by the Swiss Federal Council with the consent of the Federal Assembly of the Swiss Confederation, and that the entire Agreement shall come into force thirty days after the day of the exchange of the instrument of approval and confirmation and the instrument of ratification;

AND WHEREAS the said Agreement has been formally approved and confirmed by the President of the United States of America;

AND WHEREAS it is further provided in the said Article XVIII that pending the exchange of the instrument of approval and confirmation and the instrument of ratification, the provisions of Articles I to XVII inclusive shall be applied reciprocally by the United States of America and Switzerland on February

15, 1936, and thereafter until the day on which the entire Agreement shall come into force;

NOW, THEREFORE, be it known that I, Franklin D. Roosevelt, President of the United States of America, acting under the authority conferred by the said Tariff Act of 1930, as amended by the said Act of June 12, 1934, do hereby proclaim the said Agreement including the said Schedules and Declaration to the end that the provisions of Articles I to XVII inclusive may be observed and fulfilled with good faith by the United States of America and the citizens thereof on and after February 15, 1936, until the day on which the entire Agreement shall come into force, pending the exchange of the instrument of approval and confirmation of the President of the United States of America and the instrument of ratification by the Swiss Federal Council, and that the entire Agreement and every part thereof may be so observed and fulfilled on and from the thirtieth day after the day on which the said exchange shall have taken place as provided for in Article XVIII of the Agreement.

Pursuant to the proviso in Section 350 (a) (2) of the said Tariff Act of 1930, as amended by the said Act of June 12, 1934, I shall from time to time notify the Secretary of the Treasury of the countries with respect to which application of the duties herein proclaimed is to be suspended.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the seal of the United States of America to be affixed.

DONE at the city of Washington this ninth day of January, in the year of our Lord one thousand nine hundred and thirty-six, and of the Independ-
[SEAL] ence of the United States of America the one hundred and sixtieth.

FRANKLIN D ROOSEVELT

By the President:
CORDELL HULL
Secretary of State.

[Supplementary Proclamation]

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, by my proclamation of January 9, 1936, I did make public the Trade Agreement, including two Schedules and a Declaration, which, pursuant to Section 350(a) of the Tariff Act of 1930 of the Congress of the United States of America, as amended by the Act of June 12, 1934, entitled "AN ACT To Amend the Tariff Act of 1930", I entered into on January 9, 1936, with the Swiss Federal Council, in order that the provisions of Articles I to XVII, inclusive, of the said Agreement should be observed and fulfilled with good faith by the United States of America and the citizens thereof on February 15, 1936, and thereafter, until the day on which the entire Agreement should come into force, as provided in Article XVIII of the said Agreement, and that the entire Agreement and every part thereof should be so observed and fulfilled on and from the thirtieth day after the day of the exchange of the instrument of approval and confirmation thereof by the President of the United States of America and the instrument of ratification by the Swiss Federal Council as is further provided in Article XVIII of the Agreement;

AND WHEREAS the instrument of approval and confirmation of the President of the United States of America and the instrument of ratification by the Swiss Federal Council were exchanged at Bern on May 7, 1936;

NOW, THEREFORE, be it known that I, Franklin D. Roosevelt, President of the United States of America, supplementing my said proclamation of January 9, 1936, do hereby proclaim that the entire Agreement entered into by me with the Swiss Federal Council on January 9, 1936, will come into force on June 6, 1936; and I do hereby call upon the United States of America and all the citizens thereof to observe and fulfill the said Agreement and every part thereof with good faith on and from that date.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the seal of the United States of America to be affixed.

DONE at the city of Washington this seventh day of May, in the year of our Lord one thousand nine hundred and thirty-six, and of the Independ-
[SEAL] ence of the United States of America the one hundred and sixtieth.

FRANKLIN D ROOSEVELT

By the President:
CORDELL HULL
Secretary of State.

EXECUTIVE AGREEMENT SERIES No. 193

TERMINATION IN PART OF CONCESSION ON HANDKERCHIEFS

PROCLAMATION
BY THE PRESIDENT OF THE UNITED STATES OF AMERICA
ISSUED NOVEMBER 28, 1940 PURSUANT TO
ARTICLE XVI OF THE RECIPROCAL TRADE AGREEMENT
BETWEEN THE UNITED STATES OF AMERICA
AND SWITZERLAND SIGNED JANUARY 9, 1936,
AND RELATED NOTES

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, pursuant to the provisions of section 350 of the Tariff Act of 1930, as amended (United States Code, 1934 ed., title 19, section 1351), I entered into a foreign Trade Agreement on January 9, 1936 [1] with the Swiss Federal Council, which Agreement I did proclaim and make public by my proclamations of January 9, 1936 and May 7, 1936, and which agreement is now in force;

WHEREAS, Article II of the said Agreement provides as follows:

"Articles the growth, produce or manufacture of Switzerland enumerated and described in Schedule II annexed to this Agreement shall, on their importation into the United States of America, be exempt from ordinary customs duties in excess of those set forth and provided for in the said Schedule. The said articles shall also be exempt from all other duties, taxes, fees, charges or exactions, imposed on or in connection with importation, in excess of those imposed on the day of the signature of this Agreement or required to be imposed thereafter under the laws of the United States of America in force on the day of the signature of this Agreement."

WHEREAS, Schedule II annexed to the said Agreement provides in part as follows:

United States Tariff Act of 1930 Paragraph	Description of Articles	Rate of Duty
1529 (b)	Handkerchiefs, wholly or in part of machine-made lace; handkerchiefs embroidered (whether with a plain or fancy initial, monogram, or otherwise, and whether or not the embroidery is on a scalloped edge), tamboured, appliqued, or from which threads have been omitted, drawn, punched, or cut, and with threads introduced after weaving to finish or ornament the open-work, not including one row of straight hemstitching adjoining the hem; any of the foregoing, finished or unfinished, which contain no handmade lace and which are not embroidered or tamboured in any part by hand:	
	Composed wholly or in chief value of cotton	2¢ each and 30% ad val.
	Composed wholly or in chief value of vegetable fiber other than cotton:	
	If finished and valued at 80 cents or more per dozen	2¢ each and 30% ad val.
	If unhemmed and without any finished edge, and valued at 45 cents or more per dozen	2¢ each and 30% ad val.

WHEREAS, Article XVI of the said Agreement provides as follows:

"The Government of the United States of America and the Government of Switzerland reserve the right to withdraw or to modify the concession granted on any article under this Agreement or to impose quantitative restrictions on any such article if, as a result of the extension of such concession to third countries, such countries obtain the major benefit of such concession

[1] Executive Agreement Series No. 90.

and in consequence thereof an unduly large increase in importations of such article takes place:

Provided, That before the Government of either country shall avail itself of the foregoing reservation, it shall give notice in writing to the other Government of its intention to do so, and shall afford such other Government an opportunity within thirty days after receipt of such notice to consult with it in respect of the proposed action; and if an agreement with respect thereto is not reached within thirty days following receipt of the aforesaid notice, the Government which proposed to take such action shall be free to do so at any time thereafter, and the other Government shall be free within fifteen days after such action is taken to terminate this Agreement in its entirety on thirty days' written notice."

WHEREAS, as a result of the extension to third countries of the concession on handkerchiefs enumerated and described in the said item 1529 (b) of Schedule II annexed to the said Agreement, countries other than Switzerland have obtained the major benefit of the concession on certain articles enumerated and described in the said item and in consequence thereof an unduly large increase in importations of such articles into the United States of America has taken place;

WHEREAS, notice in writing has been given, and an opportunity for consultation afforded, to the Government of Switzerland by the Government of the United States of America of its intention to withdraw the concession on the said articles;

AND WHEREAS, the Government of Switzerland has signified its agreement with respect to such withdrawal;

NOW, THEREFORE, be it known that I, Franklin D. Roosevelt, President of the United States of America, acting under the authority conferred by the said section 350 of the Tariff Act of 1930, as amended, do hereby proclaim that my proclamations of January 9, 1936 and May 7, 1936, in so far as they relate to handkerchiefs enumerated and described in item 1529 (b) of Schedule II of the said Agreement, are hereby terminated in part, effective January 1, 1941, so that the rates of duty specified in the said item 1529 (b) shall apply, on and after January 1, 1941, only to the following:

United States Tariff Act of 1930 Paragraph	Description of Articles	Rate of Duty
1529 (b)	Handkerchiefs, wholly or in part of machine-made lace; handkerchiefs embroidered (whether with a plain or fancy initial, monogram, or otherwise, and whether or not the embroidery is on a scalloped edge), tamboured, appliqued, or from which threads have been omitted, drawn, punched, or cut, and with threads introduced after weaving to finish or ornament the openwork, not including one row of straight hemstitching adjoining the hem; any of the foregoing, finished or unfinished, which contain no handmade lace, which are not embroidered, tamboured, or appliqued in any part by hand, from which threads have not been omitted, drawn, punched, or cut by hand, and having no threads introduced by hand to finish or ornament the openwork:	
	Composed wholly or in chief value of cotton	2¢ each and 30% ad val.
	Composed wholly or in chief value of vegetable fiber other than cotton:	
	If finished and valued at 80 cents or more per dozen	2¢ each and 30% ad val.
	If unhemmed and without any finished edge, and valued at 45 cents or more per dozen	2¢ each and 30% ad val.
	Provided, That no handkerchiefs which were provided for in item 1529 (b) of Schedule II of the Trade Agreement between the United States of America and Switzerland, as proclaimed by the President of the United States of America on January 9, 1936, shall be excluded from classification under this item by reason of incidental handwork necessary to finish the machine work or to mend or correct defects.	

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the United States of America to be affixed.

[SEAL] DONE at the city of Washington this twenty-eighth day of November in the year of our Lord one thousand nine hundred and forty, and of the Independence of the United States of America the one hundred and sixty-fifth.

FRANKLIN D ROOSEVELT

By the President:
CORDELL HULL
Secretary of State

RELATED NOTES

The American Legation to the Division of Commerce, Swiss Federal Department of Public Economy

No. 97

LEGATION OF THE
UNITED STATES OF AMERICA

The Legation of the United States of America presents its compliments to the Division of Commerce of the Federal Department of Public Economy and, under instructions from the Secretary of State, has the honor to refer to previous correspondence and personal conversations with regard to the intention of the American Government to modify the Trade Agreement between the United States of America and Switzerland with respect to the concession relating to handkerchiefs included in Item 1529 (b) of Schedule II of the agreement.

In the light of representations received as a result of the public announcement in Washington on March 29, 1940,[2] of intention to withdraw, in part, the handkerchief concession in the manner described in the Legation's note No. 87 of April 1, 1940,[3] it is proposed to reword the concluding proviso attached to the list of items remaining subject to the reduced rates of duty, as follows:

> "Provided, that no handkerchiefs which were provided for in Item 1529 (b) of Schedule II of the Trade Agreement between the United States of America and Switzerland as proclaimed by the President of the United States of America on January 9, 1936, shall be excluded from classification under this item by reason of incidental handwork necessary to finish the machine work or to mend or correct defects."

. . . . . .

It is the intention of the Government of the United States to take action in the near future, under Article 16 of the Trade Agreement, withdrawing the handkerchief concession, in part, as stated in this Legation's note dated April 1, 1940, except that the proviso will be reworded as indicated in the second paragraph of the present note. Although the modification in the handkerchief concession will not be made effective until January 1, 1941, it is the intention of the American Government to announce the modification immediately in order to give importers as much advance notice as possible. Accordingly, the American Government hopes that the Swiss Government will signify its agreement in the next few days with respect to the modification in the handkerchief concession proposed by the Government of the United States of America. But, in any event, the American Government will feel constrained in the very near future to take the action proposed in accordance with the provisions of Article 16.

In expressing the hope of the Government of the United States that a reply to the foregoing may be received in the very near future, the Legation avails itself of the opportunity to renew to the Division of Commerce of the Federal Department of Public Economy the assurance of its high consideration.

BERN. *September 19, 1940.*

To the
DIVISION OF COMMERCE,
FEDERAL DEPARTMENT OF PUBLIC ECONOMY,
Bern.

The Division of Commerce, Swiss Federal Department of Public Economy, to the American Legation

BERN, *October 4, 1940.*

FEDERAL DEPARTMENT OF PUBLIC ECONOMY,
DIVISION OF COMMERCE.

The Division of Commerce of the Federal Department of Public Economy has the honor to acknowledge the receipt of the note of September 19 last (no. 97) from the Legation of the United States of America concerning the modification of the clause concerning handkerchiefs (no. 1529 (b) of the American tariff) contained in Schedule II of the trade agreement between the United States of

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[2] *Federal Register*, April 2, 1940 (vol. 5, no. 64), p. 1280.
[3] Not printed.

America and Switzerland, signed on January 9, 1936, and to inform the Legation that it agrees with the proposal appearing on page 1 of the said note worded as follows:

"Provided, that no handkerchiefs which were provided for in Item 1529 (b) of Schedule II of the Trade Agreement between the United States of America and Switzerland as proclaimed by the President of the United States of America on January 9, 1936, shall be excluded from classification under this item by reason of incidental handwork necessary to finish the machine work or to mend or correct defects."

The Division of Commerce takes the liberty, nevertheless, of adding that according to the opinion in Swiss handkerchief-manufacturing circles it would be preferable in the text quoted above to replace the words "necessary to finish the machine work or to mend or correct defects", by the following text:

". . . necessary to finish the work done on the multiple-needle embroidery machine or to mend or correct defects."

. . . . . .

The Division of Commerce of the Federal Department of Public Economy takes this occasion to renew to the Legation of the United States of America the assurances of its high consideration.

To the
LEGATION OF THE UNITED STATES OF AMERICA,
Bern.

The American Legation to the Division of Commerce, Swiss Federal Department of Public Economy

No. 100

LEGATION OF THE
UNITED STATES OF AMERICA

The Legation of the United States of America presents its compliments to the Division of Commerce of the Federal Department of Public Economy and has the honor to state that the Legation did not fail to transmit to its Government the contents of the Division's note dated October 4, 1940, expressing the Swiss Government's acceptance of the proviso relating to handkerchiefs as set forth on page 1 of the Legation's note No. 97 of September 19, 1940.

As regards the changes desired by the interested Swiss manufacturers, as set forth in the Division's note of October 4, the Legation has been directed to inform the Swiss authorities that after careful and sympathetic consideration, it has not been found feasible to adopt these suggestions for the following reasons:

1. It is felt that the revised concession (as given in the wording of the proviso contained in the second paragraph of this Legation's note No. 97 dated September 19, 1940) is sufficient to prevent handkerchiefs, on which any substantial part of the ornamentation has been done by hand, from being entered at the agreement rate.
2. If the purpose of the Swiss suggestion is to exclude from the scope of the concession, handkerchiefs which are ornamented on machines, other than multiple-needle machines, it is believed that there is a misunderstanding as to the purpose of the proviso, which is simply to make it clear that the words "which are not embroidered, tamboured or appliquéd in any part by hand", et cetera, do not exclude from the concession such incidental hand operations as are described in the proviso. The Swiss proposal for amendment of the proviso would not exclude handkerchiefs ornamented on machines other than multiple-needle machines from the benefit of the concession, if they have not been ornamented or finished in any part by hand. Adoption of the Swiss language would, however, create uncertainty as to the treatment which would be accorded to such handkerchiefs when they had been incidentally hand finished.
3. Past experience, in any event, does not indicate that any important trade could be developed under the concession in handkerchiefs ornamented on machines other than multiple-needle machines. It is not believed, therefore, that Switzerland would be particularly benefited by the adoption of the suggestion regarding revision of the proviso, while the wording might involve considerable administrative difficulty.

4. The suggestion that the word "machine" be administratively interpreted to mean multiple-needle machine does not appear to be legally feasible, as it is believed that such an interpretation would not be upheld by the courts.

The Legation expresses its Government's most cordial appreciation of the cooperation which the Swiss Government has given in this matter and would be glad if it may now finally report the agreement of the Swiss Government to the modification of the handkerchief concession pursuant to the formal notice of intention to make such change in accordance with Article XVI of the Trade Agreement.

The Legation avails itself of this opportunity to renew to the Division of Commerce of the Federal Department of Public Economy the assurance of its high consideration.

BERN, *November 5, 1940.*

To the
DIVISION OF COMMERCE OF THE
FEDERAL DEPARTMENT OF PUBLIC ECONOMY,
Bern.

The Division of Commerce, Swiss Federal Department of Public Economy, to the American Legation

BERN, *November 14, 1940.*

FEDERAL DEPARTMENT OF PUBLIC ECONOMY
DIVISION OF COMMERCE

The Division of Commerce of the Federal Department of Public Economy has the honor to acknowledge the receipt of the note of the Legation of the United States of America dated the 5th instant (no. 100) concerning the modification of the provision respecting handkerchiefs (no. 1529 (b) of the American tariff) contained in Schedule II of the trade agreement between the United States of America and Switzerland, signed on January 9, 1936. The Division of Commerce notes that for the reasons set forth in the above-mentioned note, the American Government does not consider it possible to accept the proposals contained in the Division's note of October 4 last. These proposals having been presented merely as suggestions, the Division of Commerce has the honor to state that the Federal Council accepts the modification proposed by the Government of the United States in conformity with Article XVI of the trade agreement of January 9, 1936. In view of the notes exchanged between the Legation of the United States and the Division of Commerce, the text of the provision concerning handkerchiefs (no. 1529 (b) of the American tariff) contained in Schedule II of the trade agreement of January 9, 1936, will henceforth be worded as follows:

"*1529 (b)*

Handkerchiefs, wholly or in part of machine-made lace; handkerchiefs embroidered (whether with a plain or fancy initial, monogram, or otherwise, and whether or not the embroidery is on a scalloped edge), tamboured, appliqued, or from which threads have been omitted, drawn, punched, or cut, and with threads introduced after weaving to finish or ornament the openwork, not including one row of straight hemstiching adjoining the hem; any of the foregoing, finished or unfinished, which contain no handmade lace, which are not embroidered, tamboured, or appliqued in any part by hand, from which threads have not been omitted, drawn, punched, or cut by hand, and having no threads introduced by hand to finish or ornament the openwork:

Composed wholly or in chief value of cotton	2¢ each and 30% ad val.
Composed wholly or in chief value of vegetable fiber other than cotton:	
If finished and valued at 80 cents or more per dozen	2¢ each and 30% ad val.
If unhemmed and without any finished edge, and valued at 45¢ or more per dozen	2¢ each and 30% ad val.

"Provided, that no handkerchiefs which were provided for in Item 1529 (b) of Schedule II of the Trade Agreement between the United States of America

and Switzerland as proclaimed by the President of the United States of America on January 9, 1936, shall be excluded from classification under this item by reason of incidental handwork necessary to finish the machine work or to mend or correct defects."

The Division of Commerce of the Federal Department of Public Economy takes this occasion to renew to the Legation of the United States of America the assurances of its high consideration.

FEDERAL DEPARTMENT OF PUBLIC ECONOMY
DIVISION OF COMMERCE

To the
LEGATION OF THE UNITED STATES OF AMERICA,
Bern.

Mr. BROWN. The agreement can be terminated on 6 months' notice.

Mr. LYNE. I am glad to have that confirmation. That was my understanding, sir.

Senator LUCAS. That is true with any trade agreement, is it not?

Senator MILLIKIN. I think they usually run 3 years, Senator, with the privilege after 3 years; and then there are some emergency clauses that give you a shorter out if you take them.

Senator CONNALLY. It all depends on the particular agreement, as to fixing the determination.

The CHAIRMAN. They have comparatively uniform duration: a life of 3 years, with a certain renewal, and certain termination provisions in them.

Mr. LYNE. May I proceed, Senator?

The CHAIRMAN. Yes, you may proceed.

Mr. LYNE. As I stated, Senator, the United States entered World War II against the Axis Powers in 1941. Immediately thereafter, Waltham went to war. The importance and variety of the products manufactured by Waltham in support of the war effort against the Axis Powers appears from the following partial list.

Aircraft clocks of four types.
Aircraft and camera techometers.
Chronometers of several types.
Compasses.
Base detonating fuzes, percussion fuzes, and mechanical times fuzes.
Pick counters.
Recording drift sights.
Remote-control cables.
Rifle parts
Speedometers.
Compensating precision springs.
Watches for navigation, fire-control, railroad, and general military services.
Precision parts in wide variety.

As of February 28, 1945, when the war was drawing to a close, Waltham's shipments of war goods totaled $28,458,000, and its unfilled war orders stood at $9,688,000.

Senator CONNALLY. May I ask a question there?

The CHAIRMAN. Senator Connally.

Senator CONNALLY. In manufacturing these products for war agencies, did the company have to build up new machinery and new equipment to do this?

Mr. LYNE. Well, the machinery, Senator, could be procured from other sources, as they procured their other machinery. They used their skilled-force workers to apply that machinery to the precision work in the war effort. They had to adapt some of those machines. They had to buy some others. But the important thing was the skilled group of men who could make those machines operate and operate effectively.

Senator CONNALLY. Of course, the modifications of the machines and the adaptations cost money, did they not?

Mr. LYNE. Yes, Senator.

Senator CONNALLY. That went into your bookkeeping arrangements as to whether you were making any profits.

Mr. LYNE. Yes, Senator; and was subject to renegotiation. And the watch-selling industries, we later found, were not subject to renegotiation as to their profit. Those things took money. They also took American watchmakers out of the watch market. It was impossible to manufacture an American watch movement during the war, because the entire facilities of every one of three companies, Elgin, Waltham, and Hamilton, were requisitioned for the war effort.

Senator CONNALLY. Yes. Now, when the war was over, did you have a loss, in retiring some of this equipment, some of these machines that you had converted into war purposes?

Mr. LYNE. Yes, Senator, there was such a loss. I believe, though, in fairness, in the situation, I should add that I think it was compensated for by the payments made by the United States to Waltham for its work. The great loss that we had, however, was that we were out of the market, and our competitors had been in the market. Because the flow of Swiss movements continued uninterrupted from Switzerland during our war against the Axis Powers, and we were out of the market. That was our great loss, resulting from our contribution to the war effort.

Senator CONNALLY. That is all, Mr. Chairman.

Mr. LYNE. I might add that no Government contract with Waltham was ever canceled for failure to deliver as promised. In the matter of quality, Waltham workers manifested a high standard of excellence. For example, in 1943, the average Government watch shipped from Waltham gained or lost not more than 12 seconds a day, a much better performance than the rigid Government standards required, and some were within plus or minus 3 seconds per day.

Because of this fact which I have mentioned, that American watchmaking plants were requisitioned in their entirety for national defense during the war effort, no American watches could be manufactured for civilian use during the war period.

Senator LUCAS. Mr. Chairman, may I ask a question?

The CHAIRMAN. Senator Lucas.

Senator LUCAS. How long was that that they were completely out of business?

Mr. LYNE. That was from immediately after Pearl Harbor which, as you know, was December 7, 1941, to VE-day, which was in the summer, I believe in July or August of 1945.

Senator LUCAS. And during that time you manufactured no watches?

Mr. LYNE. For civilian consumption. No American watch movements for civilian consumption were manufactured. They were manufactured for the armed forces.

In the years 1941 to 1948, to illustrate that, Senator, 60,000,000 Swiss watch movements were imported into this country. And when the war ended in 1945, the American watchmaking industry faced the need of converting from wartime work to civilian production, a task made more difficult by the strongly entrenched position which the

Swiss importers had established in this country, during the period when American watch manufacturers were devoting themselves exclusively to the prosecution of the war effort.

In the year 1948, as I have stated before, 80 percent of all the watches marketed in the United States contained movements manufactured in Switzerland.

It will assist if we analyze very briefly the nature and effect of the competition of Swiss watch movements with American watch movements. The fundamental operation in the manufacture of a watch is the manufacture of its movement. The movement is the heart of any watch and contains all its working parts. It is the workers who create the movements who are the skilled precision workers of the industry and of the United States. Watch assemblers do not manufacture watch movements in the United States, but import their movements from Switzerland, with the single exception of Bulova, which has recently commenced to manufacture part of its movements.

Senator MILLIKIN. Would you mind making that statement again?

Mr. LYNE. I say watch assemblers do not manufacture watch movements in the United States, with the single exception of Bulova, which has recently established a plant for the manufacture of watch movements here in America, and which uses those watch movements thus manufactured in America, together with watch movements manufactured in Switzerland in the production of its watches, which are sold here.

Senator MARTIN. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes, Senator Martin.

Senator MARTIN. Can you tell us when the Bulova Co. started to manufacture movements and the number of movements that they have been able to produce each year?

Mr. LYNE. I sought to get that information by a painstaking reading of the testimony before the other branch, Senator. That question was asked, as I recall it, of one of the officers of the company. He did not answer it. He is able to answer it, and I cannot. I am very sorry, Senator, but that is the situation.

Now, I have finished with the movement, the heart of the watch. A movement may be converted into a completed watch either at the place of manufacture or elsewhere, merely by dialing the movement and inserting it in a case of precious or other metal, and making the necessary adjustments, for accuracy before the watch is delivered to the dealers for sale to the ultimate consumer. These completion operations do not require anywhere near the skill which is required in the creation of the watch movement.

It is clear from what I have said that the manufacture of the movement and the production of the finished watch, the casing, and so forth, to which some of you gentlemen have adverted in your questions, may be conducted in separate establishments or in the same establishment, as economic conditions may dictate. Prior to 1936, the greater part of the watches sold to the American public contained movements which had been manufactured in the United States, and those watches were American-made in all respects. That is not the situation today. As is well known, the Swiss, with the natural talent that they have, have become adept in the manufacture of watch movements, not only so far as concerns the utilization of hand labor, but also in devising,

producing, and using labor-saving machinery to make with precision the minute pinions, gear wheels, and other parts necessary to make up the finished watch movement.

In order to assure greater accuracy in the operation of a watch, it has been found that the placing of jewels as bearings among the moving parts is highly desirable. These jewels in recent years have been small pieces of synthetic sapphire, or ruby, which are concave, and which have a tiny hole accurately bored in the center, so as to constitute a bearing in which the moving part operates. An increase in the number of jewels in a watch is generally taken to indicate a greater approach to accuracy in its operation.

In 1936, as a result of the above-mentioned reciprocal-trade agreement entered into between the United States and Switzerland, a low basic tariff was established for watch movements having less than 19 jewels, although watch movements containing 19 jewels or more continued to pay a tariff much higher than the lower jeweled movements.

As a result, Swiss watch movements containing less than 19 jewels could be and are imported into this country duty-paid at a price substantially less than the cost of a similar movement in this country. In other words, the Swiss can manufacture in Switzerland a watch movement, can pay the cost of transportation to New York City, can pay the duty, and still have spent less that it costs with our higher scale of wages to manufacture a watch movement in the United States. And that presents a serious problem.

Senator MILLIKIN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Yes, Senator.

Senator MILLIKIN. What is the life of a good watch?

Mr. LYNE. That is too difficult a question for me, Senator. It depends upon the particular watch. I don't know. I know that I have the watch that was given to me when I graduated from high school, and it still goes well. I would say 60 years.

Senator MILLIKIN. I asked you the question, because you said there were 60,000,000 Swiss movements brought in here during the war. You have, with the sale of 60,000,000 movements, lost a pretty big segment of the American market, I suggest, for a long period of time. It might be interesting to know for just what period of time.

Mr. LYNE. Just from personal experience, as I say, I might state that the watch that was given to me, was given to me in 1917, and it is still a good watch.

Senator MARTIN. Here is one that was given to me in 1906, that I carried through World War I, and it is, I think, still a good watch.

And it was made in your State, Senator Lucas.

Senator SALTONSTALL. May I respectfully say, Mr. Chairman, that here is one made in 1906, which was made in Senator Martin's State.

Mr. LYNE. Noblesse oblige!

Senator LUCAS. May I ask one question?

The CHAIRMAN. Yes, Senator.

Senator LUCAS. With respect to the 60,000,000 watches that were imported here during the war over a period of years, how does that compare with previous imports in a previous given number of years?

Mr. LYNE. It was a tremendous increase, Senator Lucas; a tremendous increase.

The CHAIRMAN. Well, there was a tremendous increase in the purchasing power of the American people, as a matter of fact.

Mr. LYNE. That is true.

The CHAIRMAN. And everybody has from one to four watches now, practically, in his household, taking it by and large. You find them all around your house, if you look for them.

Mr. LYNE. That sounds like four chickens in every pot, Senator, and two cars in every garage.

The CHAIRMAN. That may be a slight exaggeration. But you can find more than one in most American households.

Senator LUCAS. I think it is a fact, however, that during the time of the war, when these watches were being shipped in here, at the same time one of the great munitions factories of the world was shipping all their munitions into Germany.

Mr. LYNE. I have heard that that is so. I wonder if I understand the Senator's question. I have heard that the Swiss, being a neutral country, and having the right to do so, supplied the Axis Powers as well as supplying the Allied Powers.

Senator LUCAS. They were siding with the Axis Powers in doing that.

Mr. LYNE. They did supply the Axis Powers as well as the Allied Powers.

Senator CONNALLY. Was it not true that the military situation increased very greatly the demand for watches?

Mr. LYNE. That is true, Senator.

Senator CONNALLY. Every officer and most of the sergeants and corporals had a wrist watch, did they not?

Mr. LYNE. That is true, Senator.

May I proceed, Mr. Chairman?

The CHAIRMAN. Yes, sir.

Mr. LYNE. As a result of these conditions I have endeavored very briefly to outline, the business of the watch assemblers has become very lucrative, and many of them are reported by Moody's Industrial Reports to have made very large profits.

The net income of one such corporation is reported by Standard Corporation Records to have increased from $25,143 in 1940, to $1,182,845 in 1948. How many thousand percent that is anyone may figure out.

Hamilton and Elgin both had less net income in 1948 than in 1940. Less! And Waltham had a loss. The differential in cost favoring the sellers of watches containing imported movements has been applied not to lowering the prices paid by purchasers of watches in this country, but rather to large expenditures for radio and other advertising, so as to popularize the watches containing Swiss movements, and thus give them an advantage in distribution which American watchmakers cannot afford.

The trustees take it as granted that the standard of wages and living which American workers have achieved by a hard struggle should not be lowered because the standards of wages and living in other countries is lower. But a higher standard of wages and living is completely illusory for a group of workers who receive no wages; and there cannot be any American watchmakers receiving any wages unless the advantage in price which foreign manufacturers of watch movements enjoy, as a result of this taken-for-granted higher American standard of wages and living is in some way counterbalanced.

Senator CONNALLY. May I ask a question there?

The CHAIRMAN. Senator Connally.

Senator CONNALLY. Your company is in trouble, of course.

Mr. LYNE. Yes, sir.

Senator CONNALLY. How about Elgin and Hamilton? They are still doing business, are they not?

Mr. LYNE. Hamilton and Elgin, I stated, made less in 1948 than in 1940. The squeeze is on them. The assemblers made more. The one that I just quoted made 3,000 percent more profits.

The president of Elgin testified that a 20-percent contraction of sales would put him out of business. They made less than they made before the war.

Senator CONNALLY. He is still in business, is he not?

Mr. LYNE. He is still in business; yes, sir. Unfortunately, we were the marginal producer. Or, not we, but the company which we trustees are endeavoring to reestablish, and which we hope to reestablish. We were not concerned with the management of this company.

Senator CONNALLY. I am not against Waltham. I remember when I was a very small boy, not big enough to carry a watch, my father bought six Waltham watches at one time for the girls and my mother, and so on and so forth. So it was about the first watch of any value that I ever saw. But I was just curious to know why Waltham fails and these others seem to be getting along.

Mr. LYNE. It failed because it was the marginal producer. There may be many reasons for it, Senator. It may be that in New England—I didn't intend to go into this—we may have a disadvantage from the standpoint of production and an advantage from the standpoint of the well-being of the country, in that we pay somewhat higher wages than are paid in other sections. It may be that we have had mistakes in management.

As I say, our management has been under Mr. F. C. Dumaine and Mr. Ira Gilden. It may be that mistakes were made there. That is what erasers on pencils are for, as we used to say when we were young, to correct mistakes. And that is what reorganizations are for, to correct mistakes.

We do not deny that mistakes were made. We say that should not be a reason for executing the company, and it is a reason for reappraising the situation of the American watchmakers.

The foregoing situation, as you Senators know, has resulted in agitation to equalize the cost of movements to American manufacturers and assemblers. The trustees take no position upon this issue, except to point out the necessity of preserving the capacity of American manufacturers of watch movements as an important link in the chain of national defense.

The Senate of the United States, represented by this committee, is in a position to take suitable action for that preservation. Whether that action is taken, or any equivalent action, does not of course concern the trustees. Some action, of course, should be taken to preserve this vital industry. That is their position. If the prior management of Waltham made some mistakes—and, as I have said, that element has been assiduously nurtured for some reason or another—it must be borne in mind that those now handling its affairs are not the prior management of the company; and the lessons learned from those mistakes cannot but help in the future, if a future there is to be.

The trustees are not watchmakers, nor are they legislators. They are trustees of the debtor corporation only because a United States court believed them to be competent to appraise the problem of keeping Waltham Watch Co. alive. And, if possible, to solve that problem. Toward that end, they have done what three individuals could do, by very intensive work in a period of less than 2 months. In that period they have acquired considerable information concerning the watchmaking industry, which they have submitted to this committee. They repeat, however, that their statement concerning the American watchmaking industry must be weighed by this committee as the testimony of men upon whom a task has only recently been imposed, and upon whom that task only temporarily rests.

I know my presentation has been inadequate, for those reasons and also because of the fact that this is my first appearance before any congressional committee of the United States of America. Experience usually helps in those matters, I think.

The CHAIRMAN. We have been very glad to have you. And as I see your picture, your company, as you very aptly put it, went to war when we went to war.

Mr. LYNE. Yes, sir.

The CHAIRMAN. And your highly skilled workers were, of course, diverted into the making of other things, that were essential then to the prosecution of that war. And in the meantime, of course, there were tremendous increases in the Swiss watch movements brought into this country. Your difficulties were aggravated by virtue of the fact that you were diverted from your main activity during this war period; and I would assume that you have had some difficulty and some problem in recouping the necessary workers who, by reason of advancing age, may have gone out of the active working pool in this field.

All the while, however, the watch producers have had generally very high duties. And even with what reductions have been made, I think it can be shown that duties are relatively high on watches or watch parts, or watch works. It has seemed to me, both from prior hearings, and from your statement today, which I think I can speak for the committee in commending as a very good expression of this case as you see it and as you know it from your experience, that yours is a problem which would seem to lie in a field other than that of mere increase in duties.

In other words, if you, or the American makers of watch works are to have anything like assured protection, it must be through quotas, or some other method than increase in duties. Because I think you would agree that these Swiss manufacturers could come in over almost any reasonable duty that might be imposed. Do you not agree, generally?

Mr. LYNE. I do not dissent from the substance of your statement, Mr. Chairman. I do agree with it heartily. And our position is that one possibility is an escape clause. But we can do only 1 day's work at a time, any of us.

The CHAIRMAN. Geneva, of course?

Mr. LYNE. Anything that solves the problem would be satisfactory.

There is one thing I wanted to emphasize. You gentlemen might decide that this is not the only solution of the problem. You gentlemen might well come to that conclusion. But the problem that has

been presented here does exist. And you gentlemen might come to the further conclusion: But this is not the proper way to solve it.

I agree with the Chairman's statement in its entirety; and it well may be, as you have stated, that the imposition of a quota would solve it. It may be that the issuance of an Executive order would solve it. There are various methods of operation in the arsenal of democracy which could solve it. It sould be solved. Whether it is to be solved in this way or in another way is immaterial, so long as it is solved.

But all we can do, gentlemen, is to come before you; because this is one of the means of solving it. We don't believe in passing the buck, and we believe that the Senate of the United States does not, either.

Senator MILLIKIN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. What steps have you taken with the State Department, for example, to attempt to get a renegotiation of this agreement?

Mr. LYNE. As I say, I have been in this situation less than 2 months. The State Department has been approached numerous times in the past. If you are interested in that, Senator—I do not wish to make a lengthy statement which would be a rehash—that is all stated, about the efforts made with the State Department, which efforts were made many years before we got into this picture at all. And those efforts, according to the testimony before the lower branch of the Congress, or I should say the "other" branch of the Congress——

Senator CONNALLY. Yes, you should correct that.

Mr. LYNE. Those efforts, according to that testimony, were not productive. That is all I can answer.

Senator SALTONSTALL. Might I say, on that, in answer to Senator Millikin, that I personally have seen the present Secretary of State, Dean Acheson, when he was Under Secretary, twice on this subject. I have seen Mr. Clayton either once or twice. And I have had a number of discussions, and have a very full file on our interviews and discussions with the State Department.

Might I, Mr. Chairman, at the risk of extending this, and taking advantage of being one of your colleagues, reemphasize, a point, or bring out a point, that Senator Millikin touched upon? And possibly Mr. Lyne can give you the accurate information.

You speak of escape clauses. There is no escape clause in this watch agreement with Switzerland, as I understand it.

Now, there is another point that seems to me very vital. Currency exchange values were touched upon by Senator Millikin. I am not certain of the accuracy of this information, but in accordance with my understanding as to relative currency values, the rate was changed once against the United States, but when the relative situation reversed itself, and we made a request to Switzerland, that request was not granted, and that rate has never been changed back again, even though the relative values of the Swiss and United States currencies have changed.

Now, I am not certain of the accuracy of that information, but I do think it of value for this committee to consider.

The CHAIRMAN. I think Switzerland is not a party to the Geneva agreement.

Mr. LYNE. That is a fact, Mr. Chairman. And if I may explain very briefly, so far as I can, what I believe Senator Saltonstall alludes to: One of the reasons for the negotiation of the 1936 treaty, advanced by those who were favoring the interests of importers and assemblers of foreign movements into the United States, was this:

The United States had recently revalued its currency. We are all familiar with that. At that time there was talk about the Swiss importers and assemblers being thereby placed at a disadvantage. Within a relatively short time after the Reciprocal Trade Treaty of 1936, the reciprocal-trade treaty between Switzerland and the United States had been completed, Switzerland depreciated its franc to practically the same extent that the United States had depreciated its dollar.

Was that what you had in mind, Senator?

The CHAIRMAN. Senator Lucas?

Senator LUCAS. I might make this additional statement with reference to the inquiry made by the Senator from Colorado. The Elgin Co., which is located in my State——

Senator BUTLER. And Nebraska.

Senator LUCAS. Well, that is just a sort of a detour, over there.

They filed a complaint in March 1944, with the State Department, and no decision was reached on that until April 1946; and the action taken at that time was, as I understand from the Elgin people, not particularly effective. Just why they took 2 years to make that decision, I am not advised.

But I should like to ask the witness this one question: If it is not a fact that in 1946, relative to the statement on quotas made by the distinguished chairman, we did enter into a temporary arrangement, more or less of a gentleman's agreement, with Switzerland, to limit the quotas to 7,700,000 watches, which was equivalent to the 1945 importation of Swiss watches?

Mr. LYNE. My information indicates, Senator, that you are entirely correct in the statement you have made.

Senator LUCAS. That is my understanding; and one question that I wanted to ask Mr. Thorp, when he returns was with respect to that trade agreement which they had, which was more or less outside.

Mr. LYNE. It was set so high that it could not and did not solve the problem. Its enforcement was also a matter of dispute and disagreement in years even subsequent to that year.

Senator LUCAS. Well, my informant advised me that actually, according to the United States import figures, and I have no way of knowing whether this is correct or incorrect, total imports for 1946 were 9,655,000 watches. I do not know whether that statement is correct, but I am now laying the foundation to make some inquiries through Mr. Thorp when he returns to the stand.

Mr. LYNE. There is evidence that your statement is correct. That evidence perhaps should be explored. There was further evidence that subsequent to that setting of the quota, the imports from Canada and Mexico of movements manufactured elsewhere than in Canada and Mexico were greatly increased.

Senator MCGRATH. Do you know whether or not American watchmakers had exclusive access to the Government market during the war? Or did the Armed Services also buy Swiss watches?

Mr. LYNE. I believed the Armed Forces also bought Swiss watches, Senator McGrath.

Senator MCGRATH. Do you know how many watches were produced for the Armed Forces during the period that the 9,655,000 Swiss movements were brought into the United States?

Mr. LYNE. I do not. Of course, the Swiss were producing some watches for the Allied powers, and some for the Axis powers during that period.

Senator MCGRATH. The American watchmakers did not have an exclusive control of that market.

Mr. LYNE. They did not.

Senator MCGRATH. And you say you do not know how many watches actually were produced by American manufacturers for the Armed Services?

Mr. LYNE. I do not have that figure. I have given you the figure of the total of orders placed by the Government, and that took up the entire capacity of Waltham.

Senator MCGRATH. Dollar figures?

Mr. LYNE. Dollar figures, yes. I do not have the break-down on that, Senator.

Senator MCGRATH. Are you prepared to say that a percentage of increase in duty, if that were to be the solution, would be helpful in solving the Waltham problem?

Mr. LYNE. Any increase in duty which, on investigation by an impartial body, such as the Tariff Commission, establishes the amount by which the Swiss have an advantage at the border of the United States would be helpful. That is, the difference of the cost of the manufacture of a watch movement in the United States and its cost of manufacture in Switzerland, plus the transportation to the United States, plus the duty to the United States, anything which would aid in filling that gap.

Senator MCGRATH. Has the industry, the three companies you have mentioned, discussed between themselves what increased duty they would ask for if they were appearing to lay this case before the Tariff Commission?

Mr. LYNE. The trustees have not, because we have been in it less than 2 months.

Senator MCGRATH. Do you know what the view of the other manufacturers is?

Mr. LYNE. I do not, Senator.

Senator MCGRATH. I note here, from the testimony before the House, that the trade balance between the United States and Switzerland is 2½ to 1 in favor of the United States. Are you familiar with that?

Mr. LYNE. I believe that your figures are correct, Senator; or they are surely substantially correct.

Senator MCGRATH. It was stated here that it was just the opposite; that it was something like 3 to 1 against us.

Mr. LYNE. That isn't my information.

Senator MCGRATH. Mr. Chairman, I think it might be appropriate if reference was made in the Senate record to the trade balance as set forth on page 642 of the hearings before the House on the extension of the Reciprocal Trade Agreements Act. That, of course, is

figures on all imports and exports, and has nothing particularly to do with the watch situation.

The CHAIRMAN. Yes. We will be pleased to do that.

(The information referred to is as follows:)

	Imports from United States	Swiss exports to United States		Imports from United States	Swiss exports to United States
	Franc	*Franc*		*Franc*	*Franc*
1938	125,300,000	90,700,000	1944	21,200,000	140,800,000
1939	132,700,000	129,700,000	1945	135,800,000	385,300,000
1940	199,200,000	139,900,000	1946	547,800,000	453,300,000
1941	151,300,000	108,000,000	1947	1,026,842,000	394,750,000
1942	235,300,000	102,200,000	1948 (first 9 months)	747,400,000	314,900,000
1943	56,400,000	152,800,000			

Mr. LYNE. Senator McGrath, getting down to the fundamental of your question, as to whether the Swiss furnished us with watch movements too during the war, the issue that I think is the important issue there, which is important to me, at least, as a citizen, and apart from my capacity as a trustee, is that we must have manufactures of watch movements here. Switzerland is not far from the iron curtain, and bombers could very easily get over there. We have to have a source of supply here.

Senator MCGRATH. I understand that.

Do you know whether the three American companies that you have made reference to have made any purchases from Switzerland, either of completed works, or any parts of works?

Mr. LYNE. The American companies have made no purchases of completed works or parts of works from Switzerland, with the single exception of the Bulova situation, to which reference has been made. None of the other American companies has, so far as my information goes.

The CHAIRMAN. May I ask, Mr. Lyne: You have not stated the capacity production of the three companies that produce complete watches here and do not import from Switzerland. Can you give us the capacity production with reference to Waltham?

Mr. LYNE. I do not have that here. I can send it to you, but I do not carry those figures in my head.

The CHAIRMAN. Perhaps some of the other witnesses will have that.

Mr. LYNE. I think they will. I should not want to volunteer something on which I am not informed.

Senator LUCAS. Right on that point, I would like to ask the witness a question which I was getting ready to propound to him a moment ago.

With respect to the Waltham Co., I think you testified a short time ago that you employ 2,300 men.

Mr. LYNE. Yes.

Senator LUCAS. Are they all engaged at the present time in making watches?

Mr. LYNE. They are not. They are out of work. They are receiving unemployment compensation from their Commonwealth.

Senator LUCAS. How many?

Mr. LYNE. All excepting a skeleton force necessary to guard the plant and protect it against vandalism, a skeleton force of salesmen to pick up the threads, and a small group which is endeavoring to continue the repairing and servicing.

Senator LUCAS. Were these 2,300 men employed when the petition was filed for bankruptcy?

Mr. LYNE. They were employed at the time the petition was filed, sir. The petition was filed on December 28, 1948. They were employed at that time, during that workweek. On the following day, December 29, the board appointed three disinterested trustees. The disinterested trustees faced a situation where they did not have one nickel to rub against another, literally. That is, creditors had liens upon all the tangible assets by way of mortgages, and had a factor's lien which covered cash and intangibles and receivables. So the trustees were without funds even to pay for that current week; and with some difficulty, they were able to procure the authority of the court to issue $350,000 par value of trustees' certificates, so that the work people would be paid for the week which they had practically completed at the time the petition was filed.

Senator LUCAS. Well, up to the time the petition was filed, you testified, the 2,300 men were employed. Had they been continuously engaged in the watchmaking business up to that time?

Mr. LYNE. Yes, sir.

Senator LUCAS. All right. Now, what was the company's condition with respect to the orders that you had on hand at the time you went into bankruptcy?

Mr. LYNE. That was one thing that caused the company's failure, Senator. We had 80,000 completed watches, cased and dialed. I am using round figures. We had 85,000 completed movements; that is, movements that were not dialed, not cased. That left 165,000 watches. We couldn't sell them in competition with the others. And because of that fact, because we had piled up inventory—a not uncommon cause of financial embarrassment—and because those watches were there and they hadn't moved, and we couldn't sell them against this well-advertised competition, and we didn't have the money to advertise them in order to sell them, we were left with plenty of watches, but no time to do anything.

Senator MILLIKIN. Mr. Chairman, I have a tabluation prepared by the Tariff Commission, which I shall ask to put in the record.

But I notice some rather interesting figures on it, and I shall only refer to a few of them.

In terms of the ratio of United States consumption of domestic watches to apparent consumption, in 1941, we produced 37 percent of the apparent consumption; in 1942, 22 percent; in 1945, 10 percent; in 1946, 14 percent; in 1947, 22 percent.

And, Senator Lucas, the figure of this tabulation also confirms your figure of 9,655,000 imported watches in 1946. Then that goes down to 7,757,000 in 1947, and goes up again to 9,045,000 in 1948.

Mr. Chairman, I ask that the tabulation be put into the record.

The CHAIRMAN. Yes; I intended to put this into the record.

(The tabulation referred to is as follows:)

Jeweled watches: United States production, exports, imports, apparent consumption, and ratio of United States consumption of domestic watches to apparent consumption, 1931–42 and 1945–48

[Quantity in thousands]

Year [1]	Production	Exports	Imports	Apparent consumption [2]	Ratio of United States consumption of domestic watches to apparent consumption
					Percent
1931–35 average	876	3	770	1,643	53
1936	1,841	23	2,222	4,040	45
1937	2,156	38	3,124	5,242	40
1938	1,388	16	2,387	3,759	37
1939	1,819	25	2,919	4,713	38
1940	2,227	29	3,536	5,734	39
1941	2,583	45	4,301	6,839	37
1942	1,583	72	5,293	6,804	22
1945	982	41	9,398	10,339	10
1946	1,684	315	9,655	11,024	14
1947	2,368	546	7,757	9,926	22
1948	[3]	199	9,045	----------	----------

[1] Years 1943, 1944, and 1945 not representative for United States production.
[2] Apparent consumption is United States production minus exports, plus imports.
[3] Not available, but reported to be 5 to 10 percent less than 1947.

Senator McGRATH. Could you tell us what percentage of Waltham's normal business was in clocks as distinguished from watches?

Mr. LYNE. I couldn't, Senator. I can tell you it was a small percentage.

Senator McGRATH. A small percentage?

Mr. LYNE. A small percentage relatively; yes.

Senator McGRATH. D o I understand that you now have an application before the Reconstruction Finance Corporation for financing this compay?

Mr. LYNE. That is right.

Senator McGRATH. And have they indicated that some relief with respect to tariff would be desirable?

Mr. LYNE. We have not discussed the tariff with them. They have protected themselves very adequately, and justly so. That is, they have asked for a lien on all the assets, similar to the lien the banks now have. They have also asked for a voting trust agreement; so that they will control the management company, approval of management, approval of the new stockholders. And the new management will determine policies. But they are not in yet.

Senator McGRATH. Did they question the bankability of a loan of of this kind, because of the fact that this industry is probably a dying industry by reason of foreign competition?

Mr. LYNE. They must have considered that. I can't tell what goes on in the minds of any board of directors, including the Board of the Reconstruction Finance Corporation. They must have considered its vital necessity to the welfare of the United States. They must have considered that other people are required to put $2,000,000 back of them so that they will have that additional buffer of protection. They must have considered all of those things.

Of course, as I understand it, the Reconstruction Finance Corporation acts where the welfare of the United States requires action and where other banking sources are not available. They act in the performance of their duty. They have not acted yet. They have committed themselves to do what we have stated, and I would be very glad to tell you what they have committed themselves to do.

Senator McGRATH. I am interested to know what the plans are for the rehabilitation of the company.

Mr. LYNE. The two principal elements in the rehabilitation of the company are these, Senator:

(1) New management to correct the mistakes of management, which have been underscored;

(2) Some arrangement by the United States Government to assure that this industry vital to it will be permitted to obtain a reasonably decent share of the American market.

Those are the two essentials in rehabilitation of this industry.

Senator LUCAS. Do the allegations of your petition in bankruptcy disclose that this foreign competition was a contributing factor to the failure of the Waltham people? Or do you know about that?

Mr. LYNE. I know about it in this way, Senator: We did not file the petition in bankruptcy, of course. We are disinterested trustees. The company filed the petition in bankruptcy. I shouldn't think that would be in it, because you don't go into argument in pleading; you state that you are in financial difficulties, and ask for relief under chapter 10 of the Bankruptcy Act. But you don't write a novel when you write a pleading. As a matter of good pleading, I think that is all that was stated there.

Senator LUCAS. I think, legally speaking, you are absolutely correct that the main emphasis has been placed primarily on the failure of Waltham due to foreign competition. I thought perhaps in a court of equity you might have been able to prove that, or go into that situation, without having it ruled out by His Honor on the bench.

Mr. LYNE. I doubt if it would be the best of pleading to do it.

The CHAIRMAN. Any further questions?

Thank you, Mr. Lyne.

Mr. LYNE. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Saltonstall?

Senator SALTONSTALL. This is Mr. Walter Cenerazzo, Mr. Chairman, who is the head of the Watchworkers Union of the country, which includes under its jurisdiction Elgin, Hamilton, and Waltham.

The CHAIRMAN. All right, Mr. Cenerazzo. Will you state your name and identify yourself, for the benefit of the record, please?

STATEMENT OF WALTER W. CENERAZZO, NATIONAL PRESIDENT, AMERICAN WATCHWORKERS UNION

Mr. CENERAZZO. My name is Walter W. Cenerazzo, Mr. Chairman. I am national president of the American Watchworkers' Union, Waltham, Mass.

The CHAIRMAN. I am sure you will deal with it Mr. Cenerazzo; but I would like to have the figures on the capacity of these three companies.

Mr. CENERAZZO. I will give you those, Senator, approximately 3 million watch movements a year.

Before I start my prepared brief, Mr. Chairman, and gentlemen, I believe there are some points that ought to be cleared up, here, in view of Mr. Lyne's statement.

The CHAIRMAN. Do you want to be interrupted while you are reading your prepared statement, or would you rather finish that first?

Mr. CENERAZZO. It is immaterial, Senator. It is up to you.

Senator McGrath brought out the point in talking to Mr. Lyne concerning watch cases. Watch-case manufacture is completely different from watch-movement manufacture; and watch-movement manufacture is what this whole argument is about. Watch-movement manufacture is only done in America by Elgin, Hamilton, and Waltham, in its entirety. Bulova, according to the testimony of its own treasurer, started about 20 years ago, to start a watch-movement plant in this country. Now, Mr. Bulova has had the advantage of having the profits of Swiss watch imports to utilize in the development of a United States watch-movement manufacturing plant; because that is chargeable as an expense under our income tax structure.

Whatever it costs to manufacture movements at Woodside, L. I., could be put into the gross operating expenses of the company.

The treasurer of that company testified that it took 8 to 10 years before they could make a completed movement; and today I doubt if that company makes, from my conversation with employees in front of the plant who work at Bulova, over 500,000 completed movements in that plant. And those movement are practically entirely 21-jewel movements, where the duty is $10.75.

As far as those 21-jewel movements that Bulova makes are concerned, it is cheaper for him to make them in this country, I should imagine, than it is for him to import those movements. And if you look at the number of movements which came into this country during the year 1947, of 21 jewels or more, you will find that they number less than 4,000 movements, out of the great many movements which came in.

Now, Bulova is in a position of having his imports come in to cover the greatest number of sales, and he can charge off the cost of his manufacturing facilities, his assembling facilities, and so forth, into his operating expense.

In the table which I would like to present to the committee concerning Bulova, you will note that the company's assets in 1940 were $11,444,620. At the year ended March 31, 1948, the company's assets were $30,984,578. Its operating income was $2,860,964, back in 1940, with sales of $14,707,895; and in the year ended March 31, 1948, its sales are not stated, but its operating income was $9,231,113; and in the previous year, 1947, sales amounted to $38,394,080, while the operating income was $6,805,092. Its net income for 1947 was $3,888,502, and in the year ended March 31, 1948, $5,231,697.

I think that is important.

Senator MILLIKIN. Against what figure?

Mr. CENERAZZO. Against a 1940 figure of $2,015,171. And remember this: that the sales at that point, where they made the $2,015,000, were $14,707,895.

Mr. Thorp, in his testimony of day before yesterday, brought out that there were now going to be five movement manufacturers. Well, really there are only three movement manufacturers in their entirety in this country. There is a fourth man who can afford to go into this,

because of his income-tax structure. I hope he produces two million movements in this country. I want to see watch movements, as many as possible, manufactured in this country, and I think Mr. Bulova deserves praise for the job that he has done in developing a watch-movement-manufacturing company in this country. I only wish that all of his sales, instead of just part, represented manufacturing done in this country.

The CHAIRMAN. Are you familiar with Bulova's plant in Switzerland?

Mr. CENERAZZO. No; I am not. I have never been to Switzerland; but I have talked to men who have been in Switzerland.

The CHAIRMAN. Do you know the square feet of the plant they have there?

Mr. CENERAZZO. No. That information is available in the Dun & Bradstreet reports, sir.

The CHAIRMAN. Does it compare to the square feet of their plant in Long Island?

Mr. CENERAZZO. That would not necessarily determine anything, sir, because Bulova may get movements from more than one plant in Switzerland.

The CHAIRMAN. I understand that, but I just wanted to see the relative size of that.

Mr. CENERAZZO. I mean, I think you will find that Bulova's imports must be at least on a ratio of 2 or 3 to 1, as compared to his domestic manufacture. The fact remains that his treasurer did not and would not give those figures, at the hearing before the Ways and Means Committee.

Now, I would like to come back to Mr. Thorp's statement. He says there is a fifth plant starting. Now, the president of the Gruen Watch Co. appeared before the Ways and Means Committee and made some very extravagant statements, which Mr. Shernnan, in a brief which couldn't be put in as part of the hearings, but which was read on the floor by Congressman Curtis of Nebraska, refuted.

This man, Katz, says he has a small pilot plant. Now, I can want to start a watch plant in the United States, and I may have an idea and may have blueprints; but until I actually manufacture movements, I am not in a position to say what the cost of manufacture is in this country from my own personal standpoint as a manufacturer. I may know from a survey of other plants, but I don't know from my own actual experience.

Now, there is no Gruen watch-manufacturing plant in America. They are assemblers. They have an assembly plant in its entirety in Cincinnati. They have another, known as the Mount Vernon Watch Co., in Mt. Vernon, N. Y. And they did some manufacturing there, but just a small minute part, which I doubt would be over 1 percent of their sales, at this plant.

Mr. Thorp is either mentally dishonest with himself, or something is wrong with the man's thinking. I mean, he comes in here and says that Hamilton and Elgin make more profit than they ever had prewar. That is not according to the facts. It isn't according to the facts which were presented before the Ways and Means Committee, the tables which I presented before that committee.

Hamilton's profits were 7 percent less in 1947 than they were in 1940. Elgin's profits were 10 percent less in 1947 than they were in 1940. Elgin's postwar profits don't compare with 2 or 3 years of their prewar profits.

When you talk sales, I don't care what company in America you take; if they produced a million units in 1940, you must figure that in 1947 or 1948 the cost of production will be double what it was in 1940. The labor cost in the United States has gone up. Here we have on the one hand an administration which is pledged to a wages-and-hours law which puts equality between the North and the South in the cost of production. We have an administration which says, "We are for collective bargaining." Collective bargaining brings what?

Since VJ-day we have put 45 cents per hour on the cost of manufacture on most every company in the United States, and there has been an increase in average hourly wages under collective bargaining as to every manufactured product in America today. We have six paid holidays. We have 2 weeks' vacation with pay. We have pension plans which have been practically brough about through collective bargaining throughout the United States. We have group insurance, unemployment compensation, social security. All of these benefits cost from 17 to 21 percent, in addition to average hourly wages; and all of this has come about in this last decade, and it has been added to the cost of manufacture in this country.

This administration says, "This is what we want in America. This is the liberal way to do it." And we say, "Wonderful." Because it increases the security of the employees. But on the other hand, that is bound to be reflected in the cost of production, so that your total sales costs today must necessarily be at least double what they were in 1940 for the same number of units.

Now, when you have your sales costs doubled, your break-even point necessarily goes up much higher. And if you are going to make profits, you have got to have a larger number of units, and that takes greater working capital. Where is that greater working capital going to come from? That is the problem which most manufacturers in America have to face. But the Swiss watch importer doesn't have that problem to face, because of his great profits during the war years. And what happens is that he has those assets and that cushion, and does not have to worry about it like the other domestic manufacturers of jeweled watches do, as well as the other manufacturers in America.

The Hamilton Watch Co. last year borrowed $900,000 in order to finance its accounts receivable. In other words, the cash assets of the corporation were not sufficient to finance its accounts receivable.

I think that these are very important points, and that Mr. Thorp, in his testimony, as well as every person who has testified from the State Department, are failing to recognize these economic facts in their anxiety to put across this program.

I am for reciprocal trade as well as anybody else. I happen to have traveled through the countries of Peru, Chile, Argentina, Uruguay, and Brazil, last January and February. I wanted to see for myself. I had heard, before this committee and other committees, that the foreign worker was not as efficient as the American worker. I visited plants. I went through textile plants, machine plants, silver-manufacturing plants in Peru, textile plants and machine shops in Argen-

tina and Uruguay and Brazil and Chile. And I want to say, gentlemen, that we are going to come to a rude awakening in American life unless we come to a realization that we have got to run the tariff problem as scientifically as American business runs its operations. Because we don't want to go back to logrolling on tariffs, but we have got to have the necessary information on production costs.

I think it is a sad commentary on the state of this particular bill before you when any Senator has to ask what the costs of production are, from witnesses appearing from private industry or from a labor organization.

The Tariff Commission should have the cost of production on any article in America available to it in its files, and it should have the cost of production of any article in any foreign country in the world. Then we would have true scientific tariff making, so that we would know the true differential between costs of production here and abroad.

A young lady from Fortune magazine came into my office the other day. She was talking about this great one world that we should have. And I agreed with this idea as an admirable objective. But I also know that if you have a vision of a beautiful cathedral, a beautiful church—and we all love a beautiful church—you have to first have an architect draw the plans, and then you have to build, brick by brick, until you have that wonderful cathedral, that wonderful church, that you can enter and worship God in. The same is true with the reciprocal trade programs. We have to have an architect's plan based on scientific knowledge, so that while we build the program we make sure that we are protecting the opportunities and interests of American business and American workers, while we are so doing. That is the failure, in my opinion, of the reciprocal trade program. We have not buttressed it with the correct scientific knowledge and the right type of industrial engineering, the right type of marketing statistics, so that we would know exactly where we are going in the future, as far as our cost of production is concerned.

How can you say to American industry, "You shall pay all these increment benefits, running from 17 up to 21 percent, and you shall pay similar average hourly earnings, whether your plant is in the North or the South, or the East or the West"—and then allow a product to come into this country, as in this case—and say that "foreign imports do not change the economic structure"?

Once they enter the American markets, they lost their label. How can you allow those goods to come in as they are permitted to come in, based on wages which are one-third to one-fourth the wages paid to American labor, products made with efficient machinery, machinery as good as ours—in fact its our machinery in many other countries of the world? How can you allow it?

I went into a plant in Santiago, Chile, and I saw a man running three Draper looms 72 inches in width. The man running those three machines was getting 15 cents an hour; a unit cost of a nickel a machine, with less than an average of 5 percent down time.

In New Bedford, Mass., a man running a Draper loom runs one that is about twenty-odd years old. It doesn't have an automatic shuttle. He gets $1.45 an hour. So you have $1.45 an hour unit cost, with 20 percent down time, against a nickel per machine unit cost, with only 5 percent down time. Goods come off that machine, and they come

into the same market. Who is going to compete or can compete with such conditions?

All I am trying to point out is this: That what this country has to do is something more than pour its dollars into other countries. It has to do something more than buy the merchandise of other countries. We have got to give to the peoples of the world leadership, virile leadership, by giving to the countries of the world the format which made the United States so great. And that format starts, gentlemen, with the Bill of Rights in the Constitution of this country, which gives freedom of speech, freedom of religion, freedom to organize; so that we can have a virile labor movement in all the countries of the world, so that the workers of the world can sit down in collective bargaining and get a share of the fruits of the productivity, so that they can have a real standard of living, so that they too can buy an automobile, a refrigerator, and the things that we have in our homes that make the American standard of living.

But to make the rich richer by giving them our machinery and our technical know-how, by allowing dictatorial government, by allowing the Communist format to be expanded and the socialist format to be expanded doesn't make a real standard of living for foreign workers. It simply makes the rich richer, and the poor poorer.

And the trouble with our State Department is that we don't have trained businessmen, that kind of hard, tough guys that have made this country great, providing leadership, and seeing to it that we have a capitalistic system abroad exactly like ours. We are the only country in the world that has a true capitalistic system by which investor, management, and labor may share alike. And until we accomplish that format, gentlemen, no reciprocal-trade program that you are going to accept is going to give the workers of America a fair shake: because all we are going to do is let outfits with American money go into foreign countries, organize foreign corporations with American machinery and know-how, and furnish as foreign export out of those countries the goods which were formerly shipped out of the United States. Under that approach, we allow goods to come into this country which are going to lower our standard of living and which are going to cause a depression in this country.

This is from my own personal observation, and I say this to you: that I want those human beings whom I saw to have the same standard of living as do the workers of America. After all, I am only one generation removed from Italy. My father and my mother came to these shores as immigrants seeking the opportunities of America. And I want to say that I know that those people over there are entitled to what we have here, but they are not going to get it until they have the architect's plan and are thereby enabled to build a structure based upon our Bill of Rights and based upon our capitalistic system.

And now I would like to go to my statement, if I may.

Senator MILLIKIN. Mr. Chairman, may I ask one or two questions?

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. I would like to remind the witness that the State Department, in testimony here on this same subject a year ago, strenuously resisted the notion of considering the cost of production abroad. One of their chief objections to considering the peril point

was that the Tariff Commission might consider the cost of production abroad.

Mr. CENERAZZO. That is the answer to this thing. There is no other answer than the cost of production. Once you eliminate that, you are not proceeding on a businesslike basis.

Senator MILLIKIN. Well, is it not perfectly clear that once you eliminate that, you are not safeguarding American industry, including the workingman?

Mr. CENERAZZO. You are not safeguarding the job opportunities of American workers once you eliminate the cost-of-production factor in your foreign trade. Because you can't compete; it stands to reason that you can't compete. When you have two manufacturers with the same machinery, and one paying wages a lot lower than the other, how can there be competition? What is the very purpose of the wage-and-hour law? The very purpose of the wage-and-hour law, with the effect which it has had as to southern mills, was to do something about a situation in which plants were leaving the North to go to the South. Now that you have in the South today a wage-and-hour law and collective bargaining, the situation is changed. You hear about a plant moving, but it doesn't go to the South. It goes to Burma, China, or Puerto Rico, where they don't have the wage-and-hour law. That is the answer to it; the cost of production is a definite factor in the unit cost on the basis of which goods are sold.

Senator MILLIKIN. Thank you very much.

The CHAIRMAN. All right, sir. You may go to your regular statement.

Mr. CENERAZZO. Today, and on several occasions previously, the American Watch Workers Union has brought to the attention of the Congress the pressing need for action to save the American jeweled-watch industry. We have presented, again and again, facts and arguments showing that the American jeweled-watch industry is imperiled by foreign competition, and we have urged, again and again, that Congress act to keep the American jeweled-watch companies from being run out of business.

Today, our mission is slightly different. We are not opposing the bill which is now being considered by this committee; we are simply asking you as the elected representatives of the American people to establish procedures by which we can have true reciprocal trade.

We are prepared to show in concise form the growing plight of the American jeweled-watch companies. Our case is based on facts and figures. We request that you, with these facts and figures before you, take steps to satisfy yourselves that these facts and figures are correct, and to obtain all other relevant information about the needs of the American jeweled-watch industry.

If you report this reciprocal trade bill, we request that at the same time you establish the necessary machinery for a thoroughly legislative investigation of the American jeweled-watch industry, the Swiss watch importers, and the American watch market, and the disastrous effect of Swiss watch-movement competition on the American jeweled-watch industry.

It is not for me to tell you how to do this; I suppose you could create a special subcommittee or perhaps—if you feel that the Tariff Commission should have a voice in this investigation—you could follow

the course adopted by this same Senate committee, on motion of Senator Vandenberg, 12 years ago in connection with social security.

You will recall that in 1937, by action of the Senate Finance Committee, a joint commission was established on social security, including Senators, Social Security Board officials, and representative members of the public. It did an extremely useful work, leading to amendments of the Social Security Act of 1938. In the same way, a similar investigating commission established by you now would do a very valuable work leading to amendment of the trade agreement with Switzerland.

We believe a similar investigating commission established by you now would enable the peoples of the United States to properly understand the workings and administration of the Reciprocal Trade Act as it is now administered, and believe me, it will be a revelation to you all to find how little the interests of the American workmen and their job opportunities are protected. We believe that such an investigating commission will once and for all clarify the issues concerning the American watch market and will stop the hit-and-run statements which the Swiss watch importers and their representatives have so often made.

Such an investigating commission, after adequate hearings were held, would ascertain honest answers which would once and for all convince the American people and you, their selected representatives, that action should be taken to preserve this industry so essential to national defense. We are a small national union. The three employers of our members do not have the funds of the Swiss watch importers. It is a practical impossibility for the workers or the employers of the American jeweled watch industry to offset the skillful propaganda campaign of the Swiss watch importers. It is therefore up to you to decide through such an investigating commission what the answers are to these serious questions which are being raised in this American watch market. Failure to do so on your part will be a serious blow to our future. It will be a blow that will be directed against the national defense of our country as well as the job opportunities of American watch workers. Is it asking too much for you to investigate this matter?

In the first year of the agreement with Switzerland, which dates back to 1936, the difficulty of the American jeweled watch industry started, just as the industry was coming back to good levels of success following the depression. In the first half of that year, the trade agreement with Switzerland was promulgated and the duty on Swiss watches was drastically reduced. Let us look at some of the results of that tariff reduction.

In the first year of the agreement, Swiss jeweled watch imports doubled. By 1940, they were just about three times as great. With the coming of the year, Swiss jeweled watch imports kept on rising, until by 1946 they were nearly nine times what they had been in 1935.

The reduction of the tariff, taken together with monetary developments in the United States and Switzerland, and the betterment of wages and working conditions in this country, give the Swiss watch importers a tremendous advantage over the American jeweled watch manufacturers. The Swiss watch importer buys the uncased, 17-jewel watch movement in Switzerland and brings it to this country at an

average cost of $6.50. Upon it he pays an average duty of about $2.10, bringing his total cost before casing the watch to $8.60. This figure of $8.60 must be compared with the average cost of production of movements for a jeweled watch made in the United States, which is $13. The Swiss watch importer starts off with an advantage of $4.40 for each unit.

Now, why is this? The Swiss have been famous as watchmakers and have undoubtedly got good machinery—but so have the American jeweled watch companies—Elgin, Hamilton, and Waltham. The Swiss are reputed to be fine workmen—but I am here to tell you that the American watch workers are fine workmen too, and I know that in that statement I will have the full support of their employers. American jeweled watches are as good as any in the world.

We believe that your investigation will show that the Swiss advantage is gained chiefly by lower labor costs in Switzerland. We believe, furthermore, that you will find that American watch workers do not earn excessive wages. It is certainly true that their wages and working conditions have tremendously improved in the last 8 years. We have had good substantial increases, but it still does not bring the wage levels to any excessive height; they are no more than just considering the cost of living and the high skill of many of these workers. We of the American Watch Workers Union have tried, we think successfully, to bring decent wages and conditions to our members at Waltham, Elgin, and Hamilton, while at the same time refraining from unreasonable demands that would hurt these companies.

We say that if those companies have been hurt in competition with the Swiss, it is not the fault of the American wage levels, which are fair and moderate, but that the trouble is that Swiss wage levels are still extremely low. We think that you will find that labor costs represent some 78 percent of the unit cost of production. From that it is easy to see that this wage differential is the biggest single factor in giving the Swiss a large competitive advantage.

Let me turn now to another factor, which has helped to give the Swiss such great advantage that if the trade agreement continues unmodified, it seems likely that the American companies will be swallowed up altogether in a few years.

In 1941, all three American jeweled-watch companies converted to war production—virtually 100 percent war production. From then until 1946, the American civilian watch market was supplied entirely by the Swiss importing companies. Here is what happened.

The net income of Bulova Watch Co., the largest Swiss watch importer, nearly doubled. The next largest importer, Gruen Watch Co., more than doubled its net income. Benrus Watch Co., another importer, managed to increase its net income more than 500 percent; and a fourth Swiss watch importer, Longines-Wittnauer Watch Co., which had a net income of, roughly, $25,000 in 1940, earned a net income of, roughly, $950,000 in 1947.

Senator MILLIKIN. Mr. Chairman, may I ask one or two questions at this point?

The CHAIRMAN. Yes, Senator.

Senator MILLIKIN. Did the American watch companies go into war manufacture at the request of the Government?

Mr. CENERAZZO. One hundred percent, right after Pearl Harbor day. They went into it 100 percent, at the request of the United States Government.

And at this time I would like to make a statement with reference to what was said by Senator McGrath, when he said that the armed services were supplied by the Swiss watch importers.

The contracts of the Government itself were not supplied in any way by the Swiss watch importers. We had PX exchanges in this country, where young men could buy any products that were for sale. Now, those were for their own personal use and not to be used in the armed forces for use in synchronizing time in connection with warfare. These were used by these young men for their own personal use to give as gifts to their mothers, and so forth. So that is what the Swiss watch importers gave to the post exchanges, and they were not used in the armed forces for military use.

Senator MILLIKIN. Now let us get it straight, again. All three of these companies went into the munitions business?

Mr. CENERAZZO. And so did Bulova's plant in Woodside, Long Island.

Senator MILLIKIN. All four of them. They did that in response to the request of the Government. Is that right?

Mr. CENERAZZO. That is right. In other words, the watch movements, such as used in the watches of airplane pilots and by our infantry and mobile units, and so on, were made by Elgin, Hamilton, and Waltham, and some of them were made at the Woodside, Long Island, plant of Bulova.

Senator MILLIKIN. I am not talking about the watches that were made, now. I am talking about the munitions that were made. They were made at the request of the United States Government. Is that right?

Mr. CENERAZZO. But those watches were part of the munitions, sir; because without timing mechanisms you couldn't synchronize warfare. They are a very, very important part of it. You take the chronometers that Hamilton made. It was not possible to ship any chronometers out of Switzerland, because Switzerland was completely surrounded by the Axis. In less than a year, Hamilton made chronometers at far less unit cost, machine made, than that at which they could bring them in from Switzerland.

Senator MILLIKIN. You made timing devices?

Mr. CENERAZZO. Time fuses, and so on.

Senator MILLIKIN. But you did that at the request of the United States Government.

Mr. CENERAZZO. The plants were commandeered entirely. As a matter of fact, these plants worked long hours in order to get these things out. Waltham even worked 50 hours a week in order to get the work done.

The total number of Swiss watch imports of jeweled watches which had been 3,267,000 in 1940 had risen to 9,037,000 in 1946. In other words, the volume of imports had almost exactly trebled in five war years.

By 1947, the three American jeweled watch companies, Elgin, Hamilton, and Waltham, had reconverted and were competing vigorously for the American market. The dollar volume of their sales increased

—although, to be sure, the increase was not very much larger than the increase in costs during that period. The dollar volume for the three American jeweled watch companies in 1947 was a little less than twice as much as the dollar volume of their sales in 1940. Compare this with the experience of the Swiss importing companies—excluding Gruen, for which we have no sales figures—the dollar volume of sales of these Swiss watches in 1947 was more than three times as great as in 1940.

Much more striking is the comparison of the net income of the Swiss companies as against the American companies. The net income of the Swiss importing companies rose from about $3,000,000 in 1940 to almost $11,000,000 in 1947; their net income in the latter year was more than 3½ times greater than it was in 1940. In contrast, the American jeweled watch companies went downhill in that period from a total net income of, roughly, $2,700,000 in 1940 to $1,800,000 in 1947. While Swiss importer profits boomed, American jeweled watch manufacturers' profits sank to only two-thirds of their former level.

With the permission of the committee, we will submit at the conclusion of this statement a number of tables setting forth in full and with exactness the figures upon which are based the conclusions which I have just drawn. Those figures show indisputably that the Swiss importers, beginning in 1936, began to invade the American market and that they took full advantage of the war to grasp approximately 80 percent of that market.

I would like to get permission, Mr. Chairman, if I might, to put tables A through F into the record.

The CHAIRMAN. You may do so.

(The tables referred to are as follows:)

TABLE A.—*Swiss watch imports of jeweled watch movements from 1935 to 1948*

1935	1,137,000	1942	5,107,000
1936	2,131,000	1943	7,609,000
1937	2,947,000	1944	6,754,000
1938	2,135,000	1945	8,709,000
1939	2,700,000	1946	9,037,000
1940	3,267,000	1947	7,357,000
1941	4,169,000	1948 (11 months)	7,146,000

TABLE B.—*Sales, ratio of 1947 to 1940*

	1940	1947	Ratio, percent
SWISS IMPORTER GROUP			
Longines-Wittnauer	$2,561,298	$13,797,924	539.0
Benrus Watch	3,723,316	14,947,583	401.0
Bulova Watch	14,707,895	38,394,080	260.0
Total	20,992,509	67,139,587	319.8
AMERICAN GROUP			
Elgin Watch	12,255,449	22,157,658	180.0
Hamilton Watch	7,893,012	15,595,723	197.0
Waltham Watch	5,737,875	11,233,117	196.0
Total	25,886,336	48,986,498	189.2

TABLE C.—*Ratio of net worth, 1947, to net worth, 1940*

	1940	1947	Ratio, percent
SWISS IMPORTER GROUP			
Bulova	$9,163,304	$21,001,125	229
Gruen	2,616,592	6,470,250	247
Total	11,774,896	27,471,375	233
AMERICAN GROUP			
Elgin	14,144,183	16,396,970	116
Hamilton	6,078,643	8,341,525	137
Waltham	4,743,544	943,659	19
Total	24,966,370	25,682,154	103

TABLE D.—*Ratio of 1947 net income to 1940 net income*

	1940	1947	Ratio, percent
SWISS IMPORTER GROUP			
Longines-Wittnauer	$25,543	$951,472	3,725 0
Benrus Watch	227,157	1,650,961	726 0
Bulova Watch	2,015,171	6,805,092	338.0
Gruen Watch	745,268	1,552,228	208.0
Total	3,013,139	10,959,753	363.7
AMERICAN GROUP			
Elgin Watch	1,540,149	1,387,244	90.0
Hamilton Watch	899,424	833,198	93.0
Waltham Watch	284,501	−390,115	(1)
Total	2,724,074	1,830,327	67.1

[1] Deficit.

TABLE E.—*Ratio of net income to net worth*

	Year	Net income	Net worth	Ratio, percent
SWISS IMPORTER GROUP				
Benrus Watch	1947	$1,650,961	$2,873,480	57.4
Bulova Watch	1947	3,888,502	21,001,125	18 5
Longines-Wittnauer	1947	951,472	3,208,290	29 6
Gruen Watch	1947	1,552,228	6,470,250	24 0
Total		8,043,163	33,553,145	23 9
AMERICAN GROUP				
Elgin Watch	1947	1,387,244	16,396,979	8 5
Hamilton Watch	1947	833,198	8,341,525	9 9
Waltham Watch	1947	390,115	943,659	
Total		1,830,327	25,682,163	7 1

TABLE F-1.—*Bulova Watch Co.—Data on capital stock, dividends, and surplus 1940–47*

Year	Common stock authorized	(Number of shares) outstanding	Net income	Dividends	Surplus	Cumulative surplus
1940	500,000	324,884	$2,015,171	$974,643	$1,040,528	$5,463,422
1941	500,000	324,884	2,363,236	1,137,084	1,226,152	6,805,875
1942	500,000	324,884	2,000,145	974,643	1,025,502	7,865,329
1943	500,000	324,884	1,287,060	649,762	637,298	8,661,004
1944	500,000	324,884	1,921,849	649,762	1,272,087	10,097,792
1945	500,000	324,884	2,448,071	649,762	1,798,309	11,896,101
1946	500,000	324,884	3,486,956	893,423	2,593,533	14,379,049
1947	1,000,000	649,762	3,888,502	1,949,286	1,939,216	16,336,096

[1] Stock split; 2 $5 per shares for each share of common stock (no par) as of July 24, 1947.

Source of data: Moody's Industrials; Cramer Research, Inc., Boston.

TABLE F–2.—*Gruen Watch Co.—Data on capital stock, dividends, and surplus, 1940–47*

Year	Common stock authorized	(Number of shares) Outstanding	Net income	Dividends	Surplus	Cumulative surplus
1940	650,000	505,337	$745,268	None	$722,023	$1,704,949
1941	650,000	505,337	903,402	$105,966	767,560	2,342,248
1942	650,000	505,337	899,415	270,656	605,597	2,910,776
1943	650,000	505,337	908,079	372,886	512,645	3,222,925
1944	650,000	505,337	940,706	249,771	668,387	3,889,226
1945	650,000	505,337	664,883	307,401	340,571	4,212,551
1946	650,000	505,337	1,071,837	345,831	726,006	5,000,100
1947	650,000	505,337	1,552,228	461,104	1,091,124	6,085,994

Source of data: Moody's Industrials; Cramer Research, Inc., Boston.

TABLE F–3.—*Benrus Watch Co.*

SELECTED FINANCIAL DATA, 1940–48

Year	Net sales	Net income
1940	$3,723,316	$227,157
1941	5,301,062	275,760
1942	3,260,990	404,644
1943	7,298,582	292,470
1944	10,033,338	606,927
1945	11,080,109	323,306
1946	[1] 5,802,298	254,865
1947	14,947,583	1,650,961
1948	12,646,249	1,265,783

[1] Data for 6 months only ending Jan. 31.

SELECTED DATA FOR 1947 AND 1948

	1947	1948
Total assets	$5,505,358	$4,986,879
Net worth	2,873,480	3,131,263
Sales	14,947,583	12,646,249
Operating income	2,674,941	1,896,023
Net income	1,650,961	1,265,783

Source of data: Standard Corp. Records, December–January 1948–49, Standard & Poor's Corp., publishers

Longines-Wittnauer Watch Co.

SELECTED FINANCIAL DATA, 1940–48

Year	Net sales	Net income
1940	$2,561,298	$25,543
1941	4,019,256	178,544
1942	5,415,450	214,975
1943	8,125,221	170,146
1944	9,743,823	206,963
1945	10,214,271	195,506
1946	13,533,943	507,798
1947	13,797,924	951,472
1948	(1)	1,182,845

SELECTED DATA FOR 1947 AND 1948

	1947	1948
Total assets	$5,580,834	$6,581,999
Net worth	3,208,290	4,094,171
Sales	13,797,924	(1)
Operating income	1,699,421	1,830,024
Net income	951,472	1,182,845

[1] Not reported.

Source of data: Standard Corp. Records, December-January 1948-49, p. 9984, Standard & Poor's Corp., publishers.

TABLE F–4.—*Elgin National Watch Co.—Data on capital stock, dividends, and surplus, 1940–47*

Year	Common stock authorized	(Number of shares) outstanding	Net income	Dividends	Surplus	Cumulative surplus
1940	400,000	400,000	$1,540,149	$1,200,000	$340,149	$4,144,183
1941	400,000	400,000	1,550,721	1,200,000	350,721	4,694,904
1942	400,000	400,000	1,123,627	800,000	323,627	5,104,778
1943	400,000	400,000	1,140,176	800,000	340,176	5,444,954
1944	400,000	400,000	973,456	800,000	173,456	5,618,410
1945	400,000	400,000	1,050,562	800,000	250,562	5,868,972
1946	800,000	800,000	1,430,763	860,000	570,763	5,739,735
1947	800,000	800,000	1,387,244	880,000	507,244	6,396,979

Source of data: Moody's Industrials; Cramer Research, Inc., Boston.

TABLE F–5.—*Hamilton Watch Co.—Data on capital stock, dividends, and surplus, 1940–47*

Year	Common stock authorized	(Number of shares) outstanding	Net income	Dividends	Surplus	Cumulative surplus
1940	$600,000	386,585	$899,424	$682,779	$216,645	$1,273,599
1941	600,000	386,585	857,524	681,555	275,969	1,549,569
1942	600,000	386,585	822,886	507,210	315,676	1,865,245
1943	600,000	386,585	576,843	506,062	70,781	1,936,026
1944	600,000	386,585	736,709	486,733	249,976	2,122,003
1945	600,000	386,585	634,718	596,802	64,917	2,133,403
1936	600,000	387,019	930,245	526,619	403,626	2,537,030
1947	600,000	387,019	833,198	526,619	306,579	2,843,609

Source of data: Moody's Industrials: Cramer Research, Inc., Boston.

TABLE F–6.—*Bulova Watch Co.—Selected financial data, 1940–48*

Year	Total assets	Net worth	Plus reserves	Sales	Operating income	Net income
1940	$11,444,620	$9,163,304	----------	$14,707,895	$2,860,964	$2,015,171
1941	14,340,441	10,505,756	$150,000	18,179,206	3,545,565	2,363,236
1942	15,851,812	11,565,211	300,000	19,741,779	3,573,206	2,000,145
1943	15,863,219	12,360,886	450,000	20,669,506	2,365,730	1,287,160
1944	19,503,308	13,797,673	600,000	33,794,863	5,423,557	1,921,849
1945	23,842,901	15,595,983	750,000	46,521,775	10,112,514	2,448,071
1946	25,627,027	19,032,006	571,675	40,959,100	11,227,849	3,486,956
1947	27,532,053	21,001,125	375,000	38,394,080	6,805,092	3,888,502
Year ending Mar. 31, 1948	30,984,578	24,372,430	375,000	Not stated	9,231,113	5,231,697

Source of data: Moody's Industrials, 1940, p. 442; 1941, p. 337; 1942, p. 434; 1943, p. 162; 1944, p. 145; 1945, p. 943; 1946, p. 186; 1947, p. 726; 1948, p. 168; July 3, 1948, p. 2831.

TABLE F–7.—*Gruen Watch Co.—Selected financial data, 1940–47*

Year	Total assets	Net worth	Sales	Operating income	Net income
1940	$4,285,481	$2,616,592	(1)	$1,062,777	$745,268
1941	6,226,107	3,257,921	(1)	1,400,390	903,402
1942	6,570,385	3,792,383	(1)	1,794,352	899,415
1943	6,904,665	4,058,031	(1)	2,130,208	908,079
1944	8,632,138	4,724,332	(1)	2,648,723	940,706
1945	8,053,599	4,596,807	(1)	1,690,914	664,883
1946	9,382,726	5,384,356	(1)	2,816,121	1,071,837
1947	10,161,754	6,470,250	(1)	2,853,492	1,552,228

[1] Not stated.

Source of data, Moody's Industrials: 1940, p. 1642; 1941, p. 985; 1942, p. 1168; 1943, p. 265; 1944, p. 1173 1945, p. 2319; 1946, p. 224; 1947, p. 792.

TABLE F–8.—*Elgin National Watch Co.—Selected financial data, 1940–48*

Year	Total assets	Net worth	Plus reserves	Sales (net) [1]	Operating income	Net income
1940	$18,084,355	$14,144,183	$1,500,000	$12,255,449	$3,143,018	$1,540,149
1941	20,097,000	14,694,904	1,500,000	16,347,774	3,778,633	1,550,721
1942	22,385,322	15,104,178	1,700,000	17,094,082	3,683,851	1,123,627
1943	22,696,888	15,444,954	1,800,000	20,895,325	4,005,830	1,140,176
1944	23,803,762	15,618,410	1,950,000	21,628,924	3,626,923	973,456
1945	21,535,501	17,939,735	1,950,000	20,675,922	3,082,284	1,050,562
1946	21,591,102	15,868,972	350,000	17,688,953	2,356,265	1,430,763
1947	22,533,661	16,396,979	200,000	22,157,658	2,749,723	1,387,244
1948	[2]	[2]	[2]	[3] 18,491,784	[2]	[3] 872,090

Source of data: Moody's Industrials, 1940, p. 604; 1941, p. 451; 1942, p. 485; 1943, p. 563; 1944, p. 237; 1945, p. 727, 1946, p. 589; 1947, p. 339; 1948, p. 633; Nov. 13, 1948, p. 2283.

[1] Sales data reported in volume Two Years Following.
[2] Not stated.
[3] To Oct. 9, 1948, only.

TABLE F–9.—*Hamilton Watch Co.—Selected financial data, 1940–48*

Year	Total assets	Net worth	Sales (net)	Operating income	Net income
1940	$8,145,058	$6,078,643	$7,893,012	$1,418,339	$899,424
1941	10,157,830	6,673,420	9,768,031	2,026,248	957,524
1942	8,984,037	7,004,362	9,936,149	1,814,488	822,886
1943	9,990,567	7,091,165	10,029,455	907,033	576,843
1944	9,926,104	7,301,157	11,349,193	1,563,185	736,709
1945	8,514,275	7,631,320	11,825,538	979,706	634,718
1946	9,962,768	8,034,946	10,980,237	1,485,264	930,245
1947	11,008,251	8,341,525	15,595,723	1,663,795	833,198
1948	[1]	[1]	[1]	[1]	[2] 789,548

[1] Not available.
[2] To Sept. 30, 1948.

Source of data, Moody's Industrials: 1940, p. 624; 1941, p. 1469; 1942, p. 911; 1943, p. 305; 1944, p. 270; 1945, p. 347; 1946, p. 476; 1947, p. 387; 1948, p. 891; Nov. 6, 1948, p. 2315.

TABLE F–10.—*Waltham Watch Co.—Selected financial data, 1940–48*

Year	Total assets	Net worth	Sales	Operating income	Net income
1940	$7,941,116	$5,136,861	$5,737,875	$421,287	$284,501
1941	7,905,181	5,670,513	7,331,262	893,548	550,827
1942	8,913,518	6,126,788	8,487,013	1,159,251	481,231
1943	9,137,236	6,815,666	10,688,194	1,421,485	592,872
1944	8,520,827	6,524,193	11,682,714	1,546,457	489,142
1945	6,731,290	2,156,981	9,543,653	153,219	203,276
1946	9,076,207	1,592,774	9,790,270	−1,094,707	−411,412
1947	9,392,612	943,659	11,233,117	−193,936	−390,115
1948	[1]	[1]	[2] 3,738,631	[1]	[2] −1,160,409

Source of data, Moody's Industrials: 1940, p. 1277; 1941, p. 1058; 1943, p. 1871; 1944, p. 1517; 1945, p. 2321; 1946, p. 2822; 1948, p. 1292.

[1] Not reported.
[2] To June 26, 1948, only.

Mr. CENERAZZO. Thank you, sir. At this point we set forth the summary conclusions drawn from those tables which show graphically, and emphatically, the tremendous advantage gained by the Swiss importing group during the war years. Using 100 as the base figure for sales, net worth and net income in 1940, we find:

	Swiss importing group [1]	American group
Sales (dollar volume):		
1940	100	100
1947	319.8	189.2
Net worth:		
1940	100	100
1947	233	103
Net income:		
1940	100	100
1947	373.7	67.1
Ratio of net income to net worth: 1947 ..... percent	23.9	7.1

[1] The sales figures exclude Gruen and the net-worth figures exclude Longines and Benrus, as we do not have this information on those companies.

Now, one of the standard arguments for tariff reduction is that consumers should be able to buy goods at the lowest possible price. That is supposed to be one of the functions of competition. Someone will say, therefore, that even though the American jeweled-watch companies are hurt, the American consumers are helped by the Swiss agreement because it means that they can buy watches cheaper. This, however, is not so. If you make a careful investigation, we believe you will find that the differential which favors the Swiss watch importers has not been used by them to bring lower prices to the American consumer. No, indeed.

The Swiss importers have used their financial advantage, not to benefit American consumers with lower prices, but rather to drive into the ears of every American family the brand names of Swiss watches. Listen to the radio before any popular program and you will hear the time signals. Many times every day you and tens of millions of Americans hear the name of Swiss watches coming at you over the radio. The Swiss importing companies, such as Bulova, are able to do this because they can put into radio advertising part of the huge gross profits that result from their cost differential. The American jeweled-watch companies, even though two of them have been able to maintain a profit which has been less than they made prewar, make so little profit that they cannot possibly compete with the large advertising budgets of the Swiss watch importers.

At this time I would like to give you a contrast. According to a statement just issued in one of the jewelry magazines, the Benrus Watch Co. has an advertising budget of $1,600,000. Waltham had an advertisting budget of $600,000 last year. If the Waltham Co. were to have taken all of its profit and put it with that $600,000—as a matter of fact it didn't have any profit; it had a deficit—it could not have matched the Benrus Watch Co. advertising, which was $1,600,000 during the year.

As a result, the Swiss have not only cornered four-fifths of the American market, but are using the advantage given them by the trade agreement to capture the rest of it, through tremendous advertising campaigns that will gradually make everyone think that the only fine

watches that exist are Bulova and Benrus and Longines and Gruen, when we know that the finest watches in the world include Elgin, Hamilton, and Waltham.

Now it is argued that in the face of the cost differential and the tremendous Swiss advertising campaign, two of the American jeweled-watch companies, Hamilton and Elgin, are nevertheless successful. It is true that by skillful and aggressive management and the full cooperation of labor, these two companies have had good years since they reconverted. But we are asking you to remember that these were boom years, and to look to the future. If you will examine the tables submitted herewith, you will see that both Elgin and Hamilton in 1947 had a net income which was less than 10 percent of their net worth. The ratio of net income to net worth is an accepted standard of the profitability of an enterprise. In the same year, the four Swiss companies had ratios that ranged from 18 to 57 percent of their net worth.

All the figures indicate beyond a doubt that the Swiss importing companies have become enormously profitable enterprises and that their position grows stronger every day. Elgin and Hamilton, on the other hand, had net profits in 1947 which were less than their net profits before the war, and the third company, Waltham, had deficits beginning in 1946 that finally forced it into reorganization at the end of 1948.

Your investigation will, of course, include the question of why Waltham failed. Much has been said about mismanagement prior to April of 1948 and undoubtedly that was a considerable factor in Waltham's failure. But you cannot overlook the other factors about which I have been speaking. If Waltham is successfully reorganized this winter, where will it get the money, where will it get the profits which it needs to beat the competition represented by the Swiss watch importers' great advertising campaigns? Remember, too, that if those advertising campaigns begin to show diminishing returns, the Swiss watch importers can always cut prices and still make a profit. Not only Waltham but the other American companies are being squeezed, squeezed harder and harder. I am advised, and believe that you will find that the break-even point for Elgin and Hamilton is now 80 percent. Even though their profit today is less than it was prewar, if there should be a slight recession and their sales fell off only 20 percent, they would both be in the red. And their sales might fall off even without a recession, as the Swiss importer advertising becomes steadily more effective, or as the low-cost Swiss producers temporarily cut prices in order to run our companies out of business.

I might mention that the effect of Swiss importer price cutting would not really benefit the American consumer for any length of time, but would result in a monopoly condition with the whole market belonging to the Swiss—and then, of course, the importers could charge whatever prices they liked for Swiss watches. Your committee will want to investigate, I think, among other things, the relationship between the various Swiss watch importers. I doubt if you will find much competition, as between them. It would appear that they are all working together to put the American producers at an impossible disadvantage.

Someone will ask one final question: Why should the American jeweled-watch industry be saved? What does it matter, except to a small group of workers and investors?

There are two answers to that one. First, of course, it matters very deeply to the communities where for many decades the American jeweled-watch industry has operated. Waltham Watch Co. has been down for 7 weeks now, and the whole city of Waltham is hard hit. There are about 8,000 workers in the American jeweled-watch industry, many of them highly skilled workers, as fine a type of American citizen as we have.

But wholly aside from the individual fortunes of these 8,000 watch workers, their families and communities, there is another reason. An overwhelming reason why the American jeweled-watch industry must be saved. That reason is stated authoritatively, and better than I can state it, in the letter of Rear Admiral Denebrink of December 17, 1948, on behalf of the Munitions Board, to the Chairman of the RFC, a copy of which I am submitting herewith.

Let me read to you now the last words of that letter:

* * * the maintenance of at least a minimum level of operation by the Waltham, Hamilton, and Elgin Watch Cos. is vital to the defense of the United States and should be preserved.

And I would like to be able to put a copy of that letter in the record.

The CHAIRMAN. You may put the whole letter in.

(The letter referred to is as follows:)

UNITED STATES MUNITIONS BOARD,
December 17, 1948.

DEAR MR. HISE: Reference is made to Mr. Carpenter's letter to you of November 18 regarding the importance of the Waltham Watch Co. in the field of national defense.

In Mr. Carpenter's last paragraph he mentioned that the highly skilled labor employed by the Waltham Watch Co. is a valuable, intangible resource for national defense. Mr. Carpenter has asked me to write to you to give additional information as to this important factor. The information given has been reported to us and is believed to be reliable.

There are now 8,000 people in the American jeweled-watch industry, 40 percent of these people require from 2 to 10 years to train. Of this 40 percent, at least 1,000 require 5 to 10 years to train. Sixty percent of the 8,000 people are women, 40 percent are men. These figures establish the fact that there is a large nucleus of personnel now in the industry that would be almost impossible to replace in a mobilization period.

The Waltham, Hamilton, and Elgin Watch Cos. were employed to 100 percent of their capacity in Government work from December 1941 to August 1945. During this period they manufactured jewel bearings, chronometers, fire-control watches, time fuzes, aircraft instruments, and other essential products. Most of these items could not then nor could they now be produced by other domestic watch companies.

It is considered that maintenance of at least a minimum level of operation by the Waltham, Hamilton, and Elgin Watch Cos. is vital to the defense of the United States and should be preserved.

Sincerely yours,

F. C. DENEBRINK,
Rear Admiral, United States Navy,
Director of Procurement, Manpower and Utilities.

Mr. CENERAZZO. Gentlemen, it is vital that the American jeweled-watch industry continue in operation. Under present conditions we believe that it cannot continue in successful operation long. We have

stated the grounds of that belief. We ask you now, without further delay, to authorize and direct a thorough investigation to produce all the facts. If you find we are right, as we think you will, you can then act to save the situation, while there is yet time.

Gentlemen, in order that the record may be made straight, the American Watch Workers Union today does not desire a quota. We asked for a quota in 1945, for we felt, justifiably so, that the Swiss importers had had free, complete access to the American market during the war years and that the American jeweled-watch manufacturers were entitled to a fair chance to reestablish themselves on the American market. We knew then that Waltham had to reconvert its facilities entirely to the making of watch movements from 17 jewels to 21 jewels in contrast to its prewar manufacturing operation when they manufactured 45 percent of Waltham's production in 7-, 9-, and 15-jewel watch movements, and that they could no longer compete in this field. We knew the problems of reconversion for the American jeweled-watch industry and wanted them to have a chance at the growing American watch market. We failed in that attempt to obtain a fair share of the American market through the use of a fair quota. The State Department failed the American jeweled-watch industry and its employees when it reversed its position of asking the Swiss Government for a quota of 3,000,000 in November 1945, and settled for 7,700,000 in April of 1946, and during 1946 actually 9,037,000 jeweled-watch movements entered the United States.

A quota today would be of no value. All we are asking for is that Swiss watch movements enter the United States in fair competition with United States jeweled watch movements. We want equality in production costs at the border of the United States. There is so much controversy on this matter of Swiss watch imports that we ask of you that you establish this investigating commission so that the facts can be put on record where everyone will know what they are. We know to the best of our knowledge and belief that we are telling the truth; we ask that you bring the importers before such an investigating commission and make them produce the facts and figures which will prove our case.

The national defense of our country is a prime factor in our case. Let anyone disprove it; they cannot.

Table A, which is Swiss watch imports of jeweled watch movements from 1935 to 1948, has eliminated from it all of the zero to one jewel watches, the so-called pin-level watches, and are just those jeweled watch movements which directly compete with the American jeweled watch industry.

The CHAIRMAN. Are there any questions at this time?

Senator SALTONSTALL. Mr. Chairman, I think the only other witness who has come down from Boston on this subject is Mr. Partridge.

Mr. CENERAZZO. If I may add one thing more, Senator:

I think it is important that I put into the record at this time that Mr. Carnow, when he appeared for the Bulova watch people, admitted that he did not personally know what the wage rates were in Switzerland. But he said he had some figures from the Swiss Legation, and he said that the average wages as of October of 1947 were "two francs, 92 centimes, which would be about sixty-odd cents an hour."

To quote from the House committee record:

Mr. CURTIS. And you do not know what your wage rates in Switzerland are?
Mr. CARNOW. I personally do not know. I have some figures here sent to me by the Swiss Legation, if you want me to quote those, I can quote those.
Mr. CURTIS. What are they for?
Mr. CARNOW. They give you the watch industry, skilled workers in October of 1947, which is the last figure they had available.
Mr. CURTIS. What was that?
Mr. CARNOW. Two francs, 92 centimes, which would be about sixty-odd cents an hour.

Now, I would like to point out that from the best figures that we have available, from people who have been in Switzerland—and I have talked with people who have visited there during this last summer—the average wages in Switzerland go from 30 cents an hour for women, to 60 cents an hour for the highly skilled mechanics. Then, to compare that with the minimum rate in the American jeweled watch industry: The minimum expected earned rate at Waltham at 96 cents an hour, $1.04 at Elgin, at Hamilton $1.08, and those rates run all the way up to $1.86 an hour, and some tool and die makers make in excess of that figure. You can see what the differentials are in cost of production there.

I have tried to give you gentlemen as best I know the information, and I have tried to be as factual as I know how, and I hope we can get an investigation for the benefit of the industry.

I would like to point out that the next witness who is going to speak, Mr. Partridge, has written some articles for one of the newspapers in which he deprecates Waltham. Mr. Partridge is a former employee of Waltham, but he has not been inside that plant for a number of years.

He has established a good plan for a horological institute, with which we are in sympathy. But there are not the finances in the American jeweled-watch industry to cover such a plan, and the employees do not have the funds to finance such a plan.

And as far as his knowing what has happened in the last few years at Waltham, he doesn't know. He doesn't know the amount of energy and effort that has been put into making the Waltham watch movement the precision movement it is.

I hope he will take into consideration the fact that Waltham is being reorganized, and that the entire community is being asked to buy stock in that company so that we can reestablish it.

The CHAIRMAN. Thank you very much.

Senator MILLIKIN. Mr. Chairman, may I ask the Tariff Commission gentlemen if they have any data on costs of production in Switzerland; or rather, the wages paid to watchmakers in Switzerland? If there is any data of that kind, may I ask that a statement including such data be submitted to the committee?

Mr. CENERAZZO. Mr. Chairman, we have in every country, under the State Department, a labor attaché. That labor attaché should be able to get that information very rapidly and see to it that it gets into this committee before the hearing is adjourned, if the request is made of the State Department.

The CHAIRMAN. Mr. Brown is here from the State Department.

Can you supply the figure requested by Senator Millikin of the Tariff Commission?

Mr. BROWN. I don't know whether we can or not, sir, but I will look into it and give you the best information we can get.

The CHAIRMAN. If you can, please give us those figures as early as possible.

Mr. BROWN. We do not have a labor attaché in Switzerland.

The CHAIRMAN. You have none in Switzerland?

Mr. BROWN. No, sir.

Mr. CENERAZZO. Mr. Chairman, I would like to say that that is one place where they could really accomplish something with a labor attaché, and it seems to me they should send one there quickly to get those figures.

(The information requested is as follows:)

COMPARISON OF WAGE RATES IN THE AMERICAN AND SWISS JEWELED WATCH MANUFACTURING INDUSTRIES

Switzerland (Average hourly earnings)

October 1947:	
Skilled workers	$0.684
Unskilled workers	.572
Women workers	.427

This information was obtained from La Vie Economique, July 1948, p. 237, which is published monthly by the Swiss Federal Department of Public Economy. Wages have increased since these rates were assembled (1947), but no official figures reflecting the rise have been published.

United States

Average hourly earnings, clock and watch workers	$1.264

Voluntary wage rate information received by the Department of Labor is considered confidential and cannot be released without the written permission of the companies concerned except as a part of a division total. This latest United States figure is from the Monthly Labor Review, January 1949, p. 110.

The most current, although unofficial, information on wage rates in the two countries may be found in the testimony given during the recent hearings before the House Ways and Means Committee. The president of a company owning plants in both Switzerland and the United States testified as to the wages paid employees for similar work in the two plants (pp. 708, 709). Page 518 of the same hearings offers a statement of the average wages paid by one particular domestic jeweled watch manufacturing company.

No official complete break-down and comparison by job skills is available at the present time.

Senator SALTONSTALL. May I say that Mr. Partridge is a distinguished Boston jeweler. As far as I know, he has no connection with Waltham. He asked me for the opportunity to testify on this subject, and I present him as one of the leaders of a very old Boston firm.

The CHAIRMAN. We would be glad to hear you now, Mr. Partridge, if you wish to make your statement.

We have one other witness, who is anxious to get away about 4 o'clock. I thought perhaps we might adjourn and come back. However, we will hear you now.

STATEMENT OF HAROLD T. PARTRIDGE, RETAIL JEWELER, BOSTON, MASS.

Mr. PARTRIDGE. Mr. Chairman, I am not going to take very long.

The CHAIRMAN. I understand yours is a brief statement.

Senator MILLIKIN. Mr. Chairman, may I interject for just a moment?

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. I have been informed, and I hope that some witness from the State Department or somebody else will later meet the point, that in the negotiation of our reciprocal trade agreement with Switzerland, the Swiss watch manufacturers were a part of the negotiating panels, or at least were kept very closely and currently informed as to what was going on; whereas our watch manufacturers were completely excluded from anything of that kind.

The CHAIRMAN. Mr. Brown, please note that, and have a witness who participated in the negotiation of the Swiss trade agreement come before us, if one is available in the Department at this time.

Mr. BROWN. I will get the facts on that for you, sir.

The CHAIRMAN. All right, Mr. Partridge.

Mr. PARTRIDGE. My name is Harold T. Partridge. I am in the retail jewelry business in Boston, Mass. It is a pleasure to appear before your committee on a matter affecting the American watch industry, of which I have been a part since 1910. I believe my 16 years as a watchmaker, combined with 23 years in the retail jewelry business, leaves certain facts in my mind, which I surely feel should be of some consideration.

I am not employed by any watch company, and I am not employed by any jewelers' association. I was at one time president of the Massachusetts and Rhode Island Retail Jewelers Association. I came here on my own to present this idea to you gentlemen, and I have had good reception on this idea from very important men, such as the dean of engineering at the Massachusetts Institute of Technology.

As I said, I worked 16 years as a watchmaker, and I was in the Waltham Watch Co. for 12 years.

We have read over a period of years many arguments on the protective tariff on watches. This is an old subject with many of us as I well remember the tariff question of previous years. There can be no doubt of the present need of a tariff for the protection of the American watch manufacturers. They are in a bad position, gentlemen, and it is claimed that the three American manufacturers make and sell only 12 out of every 100 watches sold in the United States. That was quoted in the newspapers sometime ago, and figures were quoted before a committee here in Washington. That means 88 watches that are sold out of every 100, gentlemen, are Swiss-made watches.

We must remember that during the war period the American watch manufacturers were almost wholly on war work, and are really just getting started again.

I am here to ask for a tariff, gentlemen, but a tariff combined with a plan designed for the not too distant future when the American watch industry will be able to stand on its own feet. And I think the figures show that they are rather weak just now.

I have the plan, which I have advocated for several years. I have taken this up with Elgin, Waltham, and Hamilton. It is a very simple plan and calls for the establishment of a chair of advanced horology similar to the Swiss plan, with perhaps some Swiss help, where watch engineering and machine designing will be taught to a few bright prospects, most of them selected, probably by the watch manufacturers themselves. And, of course, this attractive course should find others willing to consider it. It would be useless, in my estimation, to adjust a tariff wall, as has been done in the past, just simply a tariff wall, because the three American manufacturers, judging by past experience, would not take advantage of the situation.

At the time of the Payne-Aldrich tariff bill—which is ancient history, but not too ancient for me to remember—the provisions of the tariff were almost wholly written by Romney Spring, a Boston lawyer, who at the time was on the Waltham Watch Co. pay roll. I talked with him last week and have permission to use his name here. He is available if you gentlemen want to get in contact with him.

Now, of course, this was good legislation and smart protection, but the weakness was that the American manufacturers did nothing to improve their competitive position. They sat back and manufactured watches behind this tariff wall. And I am afraid that is what they will do again if they get a tariff without some strings tied to it. They have been down here several times since, and have asked for tariff protection. This is just one of the times.

The American manufacturers have many complaints, one of their chief complaints being that the State Department failed to make necessary arrangements whereby Swiss watchmaking machinery can be leased to them at favorable terms. This is very true. Where the Swiss may purchase our heavy machinery, they are reluctant to sell to the American manufacturers the complicated machinery for the making of the many small parts necessary to the manufacture of watches.

The Swiss, due to the national set-up, are in an enviable position. Negotiations between our State Department and the Swiss have been dragging along for some time, and I feel quite sure the dragging is not all the fault of the State Department.

I have advocated a program whereby the three American watch manufacturers could combine to form an association, with the object of establishing a chair of advanced horology, not watchmaking but advanced horology, at some such institution as MIT. I mention MIT because it is near to me, and I know quite a few professors there and this watchmaking thing which the watchmakers try to tell you is so complicated is just a matter of engineering.

I worked in many watch factories for many years as a boy or as a young man, and these old-time watchmakers all tried to make you think it was something they just brought out of the air, something that they had to get by working at for a long, long time. But the real situation is somewhat different.

The American watch industry has been very dependent upon the Swiss for horology engineers and designers, and almost wholly dependent upon itself for the development of watchmaking machinery. A chair of advanced horology which, as I suggest, would, in time, eliminate this trouble; for surely the American engineers could de-

velop our own machinery, and we would eventually have a strong American watch industry depending upon no outside source.

That is my only reason for being. I want to see a good, strong American watch industry. I am not battling with anybody.

In Switzerland the watchmaking business is almost national, and the Government supports the schools of the trade, thereby developing workmen for the trade, watchmakers, as I was. And it also supports the schools of engineering, thereby developing designers and watch engineers, the men who can design the complicated machinery which the American manufacturers claim they cannot get from Switzerland.

We don't need to get it from Switzerland. We do everything else, and mind everybody's business all over the world; why can't we make our own watches and our own machinery? I claim we can. We have just got to develop men to do it. The American watchmakers do not want to do that themselves. The American watch manufacturers are backward in getting together on the program, and I suggest that the Government do something about it.

Now, you will hear a screech from the watch manufacturers. They don't want the Government in on it. But who is going to do it if the Government doesn't do it? The American watch manufacturers have proven over a period of years, since 1910, in my knowledge, that they will do nothing, absolutely nothing, to develop technical research in their own behalf.

We should have the Government do something about this, or at least look into the subject, and I believe that, under the supervision of the Armed Forces, real progress could be made. Surely there is no denial of the necessity of a strong watch industry in this country. Nobody is going to deny the necessity of it. Watches are worn by all persons of all ages, for machine-shop work, aviation, Army and Navy activities, all types of war work. In all of these fields and many others, a watch is an absolute "must."

To grant a protective tariff alone for the three American watch companies would be only temporary relief. To tie up the protective tariff with an educational program would be simple, and I believe the Armed Forces should be the leaders in any such move.

As in time of war, the watch industry of this country is fully tried, beyond its capacity. If war should develop in Europe, this time I feel sure the iron curtain would be dropped on Switzerland, and with the American manufacturers of movements engaged entirely on war work, we would have no watches.

Preservation of the American watch industry is essential to the national-defense program. We should tie up the tariff with a "must" watch engineering project.

In following up this program a year ago last March, I asked representatives of Hamilton, Elgin, and Waltham to meet with me at the Hotel Statler in Boston at the time of the Boston Jewelers' Club dinner, and I asked them if they could get the fever and take back the idea to sell to their manufacturers.

And while I am on that subject, I want to impress you gentlemen with one thing. I am not looking for a chance to be a hero. I don't want to see my name up in lights. I have a nice business and I am tending to it. I want to sell this idea. I want somebody to take it over in the watch industry. So far I have had darn bum luck.

I contacted the former president of the Hamilton Watch Co., Charles Beckworth, a fine man and known by everybody, and he did not even answer my letter. So I think it is time that the Government took over. If these lame-duck watch manufacturers cannot help themselves, somebody ought to put them out of business and bring the Swiss over here. There is nothing wrong with the Swiss. They are fine people, and we should have a lot of them over here.

Now these six men, the manager of Waltham at that time, sales manager of the Elgin, and myself, met in a room at the Hotel Statler, and I told them my story and we all had a drink and we all talked it over. I said, "Will you fellows dare go back to your factories and place this before your management?"

They all agreed it was a good idea, and Mr. Boucher, the then manager of Waltham, suggested that I follow up the program a little further, and seeing that I had the idea, I could see what I could do with it.

In other words, stick my neck out instead of his, which I was glad to do. I got in touch and made arrangements to meet with Mr. Sherwood. Mr. Sherwood is quite an engineer, and he is dean of the Engineering School of the Massachusetts Institute of Technology. I asked him how much time he would give me, and he told me to proceed on my subject. In other words, he gave me all the time I wanted.

He understood what I was talking about, even to the little interdepartmental politics that went on in the Waltham Watch Co. as it did when I was boy and a young man.

I asked Dean Sherwood if he would take my correspondence on this subject and read it over, and if he would write me a letter. He kindly did this, and I will read only a part of this letter to you because it is a long letter, and I would like to submit it to this committee.

The CHAIRMAN. You may put it in the record.

(The letter is as follows:)

MASSACHUSETTS INSTITUTE OF TECHNOLOGY,
OFFICE OF THE DEAN OF ENGINEERING,
March 2, 1948.

Mr. HAROLD T. PARTRIDGE,
Trefry & Partridge, Inc., Corner Park and Beacon Streets,
Boston, Mass.

DEAR MR. PARTRIDGE: Following our conversation of last Thursday, I talked with several of our people regarding your proposal that the institute consider the establishment of an educational program in the field of horology.

My colleagues confirm my preliminary judgment that we are in no position to specialize to the degree you had in mind, and that we would not wish to offer a specialized curriculum for those interested in watchmaking and the watch industry.

As I explained when you were here, we have found it essential that we stick to the fundamentals of science and technology and not attempt to offer specialized training for the many hundreds of industries into which our men go. As an illustration of what we mean, I explained to you that as many of our chemical engineers go into the petroleum, pulp and paper, fine chemical, leather, and other industries, yet their education at the institute consists of the same program of mathematics, physics, chemistry, humanities, and certain professional subjects quite broad and basic in nature. We have never established a curriculum in petroleum refining or one in paper technology, and it would seem that the watchmaking industry would have a smaller demand for graduates than either of these other two.

I think I understand your general problem, and would like very much to be helpful. It is obvious that the industry might support basic research activities, but I gather something is already being done along this line, and I suspect that

the thing most needed is to attract top-notch engineers for employment by the principal manufacturing concerns. Our people who have contact with placement of our graduates tell me that the watch industry does not ordinarly attract our best men. I suspect that the first thing to do is to correct this situation. Whether or not the industry's reputation is based on fact is beside the point. The thing to do is to correct it so that top-flight engineers and physicists will be interested.

The foundry industry is in very much the same situation. Their answer to it has been the organization of a series of well-advertised scholarships instituted both here and at other schools for good undergraduates who show interest in the possibilities of the foundry industry. Two of the foundry-trade associations have established scholarships of this kind, paying from $700 to $1,500 per year to third and fourth year students. I believe the total of these is eight in each year. They are awarded on a competitive basis to men who indicate their willingness to work in a foundry between the junior and senior year, and who indicate their willingness to consider employment in the foundry industry when they graduate. Some of these men will be lost to the industry, but the thing has considerable appeal and a lot of students, other than those receiving the awards, are hearing a lot about the opportunities in foundries.

It occurs to me that the situation in the watch industry is similar, and that perhaps the watch manufacturers would be willing to support two or three such scholarships for undergraduates with similar conditions. I would think that such scholarships might be awarded to undergraduates in mechanical engineering or in our course in business and engineering administration, with the idea that these students would select elective courses in machine design and perhaps be assigned to Prof. John A. Hrones, head of our machine design divsion, who would act as their adviser. Our Prof. C. S. Draper has had considerable experience with the Waltham Watch Co., but is very deeply involved in a heavy Government research program at the present time and is associated with the aeronautical engineering department. If and when his burden lightens, I suspect he could be persuaded to offer one or two interesting courses in horology.

I am sorry that I cannot be more helpful, but I feel we would be getting very much out of our field if we attempted to train men specifically for an industry confined to a relatively few companies.

I am returning the correspondence which you loaned me, and which I found very interesting indeed.

Yours very truly,

THOMAS K. SHERWOOD,
Dean of Engineering.

Mr. PARTRIDGE. I would like to read just this part:

I suspect that the thing most needed is to attract top-notch engineers for employment by the principal manufacturing concerns.

That is Waltham, Elgin, and Hamilton.

Our people who have contact with placement of our graduates tell me that the watch industry does not ordinarily attract our best men. I suspect that the first thing to do is to correct this situation. Whether or not the industry's reputation is based on fact is beside the point. The thing to do is to correct it so that top-flight engineers and physicists will be interested.

I hope that answers the remark by my Waltham friend.

At this meeting with Dean Sherwood the name of Cliff Rogers was dropped. I inquired who Mr. Rogers might be, and the dean of engineering said, "Well, he is the engineer down in charge of the research department of the United Shoe Machinery Corp."

The United Shoe Machinery Corp. is a big corporation. This man Rogers employed 880 engineers, researchers, and physicists, and that is not peanuts. The watch manufacturers should listen to that. He can take any lame-duck industry that has fallen into the river, whether it is the Elgin river or not, and he can revive it.

The first question is "How much do you want to spend?" They will spend the Government's money, and they will spend a lot of it.

I went down and talked with Mr. Rogers. He employs 880 of these men that the watch manufacturers should employ. He gave

me plenty of time, but he had no suggestions to make, and he would not bother with my correspondence, because he had other things to do. But I asked Dean Sherwood, head of the engineering department of M. I. T., and I asked Mr. Rogers the same question. I said, "Now, Dean, if you think I am a crackpot, and if you think this idea of mine is screwy, why not say so? After all, I have been around quite a few years, and I have been kicked down quite a few good stairs, and if you think I am a nut, tell me so."

He said, "No, I don't think that you are a nut. I am going to read over your correspondence, and I would not waste my evening's time reading it over if I thought that about you."

He said his opinion of this thing was that it was a good idea, but it is too late.

When I talked with Mr. Rogers, after taking up 2 hours of his time I said, "Now, Mr. Rogers, I want your opinion. I have gone into this quite a lot, and it is my dream, and I would like to see it established in this country as a good, sound American watch industry. Do you think the idea is crazy? Do you think I am a crackpot? And if you do, just say so."

He said, "I don't think that your idea is crazy, I think that you are too darn late."

The difference between the opinion of Dean Sherwood of M. I. T. and Mr. Rogers of the United Shoe Machinery Corp. is one "darn," and that is all. I am looking forward to the time when we are going to have a good, sound American watch industry and it is not going to be established by waving your arms, it is going to be established by men getting down to work at the watchmaker's bench. A man is not going to make it by hollering and yelling.

These mayors of these cities getting together in a mass meeting and not one word was said about making a better watch is ridiculous. What I would like to see those people do who are suffering and are in a bad ways is sit right down and sign a pledge: "I hereby pledge that if they take me back to work I will do a better job than I have ever done before, and I hereby pledge myself to help cooperate in producing the very best watch I possibly can." All of this "hooray, boys" is not worth anything, and they are not going to make a good watch that way. If they get money out of the RFC on that talk they are smarter than I think they are.

Gentlemen, I am going to ask for your cooperation further in this plan, and if the armed forces take it over we can have a sound and an American watch industry.

Senator SALTONSTALL. May I say this? Mr. Cenerazzo has asked me if he could answer this statement. I told him the committee's time was limited, but that I was confident that if he wanted to write a letter or suggest a memorandum in answer to some of these things Mr. Partridge has said, the committee would be glad to receive them, and put them in the record.

The CHAIRMAN. That is right. We are not the Labor Board, though, as you know, Senator. We will be glad to have a memorandum.

Senator MARTIN. Mr. Chairman, I would like to make this observation, that while the witness just leaving the stand has given a lot of consideration to this problem I am fearful that he has not given the important consideration its proper due, and that is the difference in

the wage standards and that in the United States they are a little higher. We cannot keep up our standards of manufacturing and production and our living standards unless we do maintain the high wage standards that we have enjoyed here in the United States.

Mr. PARTRIDGE. I fully appreciate that.

Senator MARTIN. I am fearful that you have not taken that into consideration at all in your study.

Mr. PARTRIDGE. I was a victim of that in 1913 when they laid off about 65 percent of the help in the watch factories, and I have been through that, from practical experience, and I was thrown out of a job because of the change in the tariff and because of the Swiss watchmakers coming in, and I know there is a big difference between the standard of living and the wages we read about in the paper, and it is very true, but what they have to do in the country is this: I talked yesterday morning with the president of the Hamilton Watch Co., and he called me at my store in Boston and he tells me about the research.

I said, "The trouble with you manufacturers is that you are all going in different directions. Why do you not get together?" He said, "We have tremendous research going on down here. I want you to come over here and see it," and I am going over to see it. He answered my question in exactly the way I expected him to. The lawyer from Elgin is here, and I talked to him this morning and they have tremendous research going on there. Why do they not get together? A watch is a watch, and it has an 18,000 train, which means the wheel goes back and forth 18,000 times per hour.

Senator MARTIN. Have you taken into consideration the antitrust laws of the United States?

Mr. PARTRIDGE. I do not know anything about that, but if they do it under Government supervision there can be something done. As it is, they are shooting in all directions.

Senator MARTIN. Would you favor the nationalization of the industry of America?

Mr. PARTRIDGE. They have to do something about the watch industry. Over a period of years that industry have proven that it cannot support itself against foreign competition.

Senator BUTLER. Unprotected, you mean?

Mr. PARTRIDGE. Unprotected competition; yes.

Senator MARTIN. Is it not a fact that about the only difference is the wages paid in the United States and the wages paid in Switzerland?

Mr. PARTRIDGE. And the type of product they produce. You go into your own jewelers, and they will tell you.

Senator MARTIN. Wait a moment. Here is a watch that I bought. It is the first thing that I bought for myself. I bought it in 1906, and this watch served me on the front line for several months in World War I, and it is still operating in grand shape. It is American.

Mr. PARTRIDGE. This watch here was given to me when I was 21 years of age, and it is still operating. It is a pocket watch, Senator. These pocket watches go on and on and on. I have a watch which will pass on to my son when I die. It is a pocket watch. But where you get your turn-over is on the wrist watches.

Senator MARTIN. I also have a wrist watch from Hamilton that I have worn out on campaigns, and it is still operating in grand manner,

and I also have an American watch that was given to me by my father, an old silver watch that I used in the Philippines in 1898 and it is still operating in fine shape.

Mr. PARTRIDGE. They make good watches, but they do not do so good a job as the Swiss. If you ask a jeweler to show you the best watch they have in stock, it will be Swiss.

Senator MARTIN. You have a jewelry business?

Mr. PARTRIDGE. Yes.

Senator MARTIN. Is it not also true that the man who operates a retail jewelry store can make about $16 more on the Swiss watch than he can on the American-made watch?

Mr. PARTRIDGE. He can make more money on the Swiss watch, yes; and many would rather sell that.

Senator MARTIN. He pushes it for that reason. That is human nature.

Mr. PARTRIDGE. I think some of them do.

Senator MARTIN. When you get back to the real difference, I think our workmen are just as skilled as those of Switzerland, and we have the skill to make the machinery, but the real difference is the wage scale of the two countries.

We have to make up our minds in America as to whether we want to pull down our wage scale or not. I would like to put into effect the suggestion of the previous witness, that we get into force in these competing countries the same idea as that we have gotten in America, to improve the condition of the workingman by workmen's compensation and old-age benefits, and things like that.

I apologize for taking so much time, Mr. Chairman.

The CHAIRMAN. We have one other witness for today, and if the committee will sit awhile, we would like to call that witness now, if he is ready to go on.

That is Mr. Canfield of the American Paper and Pulp Association.

We will hear you this morning so we will not have to sit in the afternoon.

Mr. CANFIELD. I appreciate that very much.

The CHAIRMAN. Will you give your name to the reporter and your association. You are representing the association?

STATEMENT OF ROBERT E. CANFIELD, REPRESENTING THE AMERICAN PAPER AND PULP ASSOCIATION, NEW YORK CITY, N. Y.

Mr. CANFIELD. I represent the American Paper and Pulp Association. My name is Robert E. Canfield, 122 East Forty-second Street, New York City. I am counsel for the American Paper and Pulp Association.

The manufacture of pulp, paper, and paperboard is the sixth largest industry in the country, having a capital investment of over $3,000,000,000 and annual production currently valued at about $4,000,000,000. I mention that only to show the fact that the industry is of some importance, and its views could be considered as something more important than purely individual views.

The statement I have prepared here is not specific with with reference to the paper industry, but it is addressed to the general proposition that I understood was before this committee: Should this particular bill under consideration be passed or should it not?

The CHAIRMAN. Yes, you are correct in your understanding of that.

Mr. CANFIELD. The industry is opposed to the bill you are considering. It is opposed to it on two grounds: First, that it makes possible results not only not intended by Congress, but actually directly contrary to what Congress does intend, and second, that it constitutes an improper transference of legislative function from the legislative branch of the Government to the executive branch.

Let me take up the first of these objections, and give you examples of what I mean. I am confident that you will agree with me that when the act was first passed, it was the intention of Congress that duty rates could be cut as much as 50 percent but in no instance more. I wonder if you are aware of the fact that under that act, the original act, the duty on one commodity, at least, could have been cut 80 percent and in fact was reduced 60 percent.

With reference to the same commodity, the administration is now considering a 50-percent further reduction which would leave the duty rate at one-fifth of what it was under the act of 1930.

I am confident that you will agree with me that Congress did not intend that duties should be so reduced as to cause the shifting of the entire production of a commodity used in this country from this country to a foreign country. Yet, that has happened.

I am confident that you will agree with me that it never has been the intention of Congress that duty rates should be reduced on any commodity by an agreement pursuant to which the United States does not get in return the reciprocal treatment agreed upon. Yet, that situation exists.

I am equally confident that you will agree with me that Congress did not visualize that duty reductions would be of such magnitude as to cause imports of particular commodities to increase thousands of percent. Yet that has happened.

I am confident that Congress never intended that duty rates should go far below those in existence in the so-called Underwood Free-Trade Act of 1913. It has repeatedly been stated that the purposes of the act were to get away from the unduly high rates of the Smoot-Hawley Act of 1930 and to return toward those of the Underwood Act of 1913. Despite this fact, the average tariff today on paper under reciprocal-trade agreements is less than half what it was under the act of 1913, which was the all-time low until the Reciprocal Trade Acts started to operate.

I am confident that Congress never intended the Executive to have any power with reference to commodities on the free list and specifically intended that anything done with reference to such commodities was reserved to Congress. Yet, the Executive has, by international agreement, precluded Congress from exercising any power to determine whether or not cetain commodities should stay on the free list, and it has so arranged things that as a practical matter certain commodities on the duty list may come into this country on what amounts to a duty-free basis if the exporting country's government so desires.

These are just examples of what I meant when I said that the kind of law your predecessors passed, and which is now proposed to be reenacted, makes possible results contrary to the intent of Congress. As a matter of fact, I am amazed at the restraint of the statement.

Such results would appear from the record to be not only possible, but probable, if not virtually certain. I am sure the list could be multiplied many times over if all the facts from all industries were brought out here.

Those results lead right into the heart of the second part of our objection to the bill under consideration. That objection is that it constitutes an improper transference of legislative authority to the executive branch. That objection has been raised before this committee by me and by others, specifically on June 4, 1945, with no effect. It was raised by me a couple of weegs ago before the House Ways and Means Committee with no effect. Perhaps the reason it was not persuasive was that the discussion was in terms of the theory of constitutional law.

I pointed out then that the power to determine duties was specifically vested by the Constitution in the Congress and that by all ordinary principles of constitutional law, something specifically reserved to Congress by the Constitution could not properly be given by Congress to someone else. I pointed out that Congress could, of course, delegate detailed work to an administrative agency but that what constituted proper delegation had been stated repeatedly by the Supreme Court.

It requires that Congress state in general terms what it intends to be done and that it set forth specifically criteria pursuant to which the administrative agency to whom the job is delegated can determine what action to take under what circumstances. I further pointed out what is perfectly plain, that the proposed act does neither of these things.

I hope that a consideration of the results obtained under an act which does not set forth criteria which will assure the carry-out of congressional intent will be more persuasive than the statement of theory was by showing exactly why the Supreme Court has decided, as it has in the past, what constitutes proper delegation of congressional authority.

When Congress has the obligation, as it clearly has in connection with duties, to determine what shall be done and when it shall be done, the mere granting of power to someone else to do those things within broad over-all limits, gives no assurance that the actions which would have been taken by Congress will, in fact, be taken by the authority to whom the power is delegated.

The facts I have recited demonstrate, I think conclusively, that when Congress does not in its delegating statute establish its policy specifically and establish the criteria to be followed in carrying out its policy, inevitably actions taken by the uninstructed delegate go far beyond what was intended.

For Congress to give away the power to determine duties with no statement of what changes are to be made, or to what extent they are to be made, or under what circumstances they are to be made, it is not delegation but abdication. It is no more reasonable to do it in the case of the problem of determining duty than it would be in the case of the problem of determining taxes or determining when and under what circumstances to declare war. I cannot quite visualize Congress passing a law which purports to give to the President the power at any time, for any reason, or no reason, on his own initiative and as his whim of the moment may dictate, to increase or decrease income taxes by 50 percent. I cannot quite conceive of Congress passing a law pur-

porting to give to the President the right at any time, under any circumstances, as his whim of the moment may dictate, the power to declare war. Yet the bill you have under consideration proposes to do an exactly parallel thing. It purports to give to the Executive the right to determine, without reason and as his whim of the moment may dictate, what is to be done in another field just as specifically reserved by the Constitution to Congress as is the right to determine taxes and the right to declare war.

Senator MILLIKIN. You are aware, I am sure, that the President resents even having to make an explanation of what he does under the delegation.

Mr. CANFIELD. That, of course, is the primary reason for the proposed bill. That is the only basic change between the existing bill and the proposed one.

Senator MILLIKIN. That is correct.

Mr. CANFIELD. In the hearings before this committee in 1945 I stated my firm conviction and that of the industry I represent. I stated it in the same words recently before the House Ways and Means Committee. I would like to state it again here in the identical words: "It is our firm conviction that this is neither good law, good government, good democracy, nor good policy."

It does not make matters any easier that in most instances improper transference of authority from Congress to the Executive could be corrected by subsequent legislation. There is grave doubt that correction in this instance could be made even if Congress were to desire to do so. It has been held by the Supreme Court, as you gentlemen must be aware, that international agreements may transcend the power of the Congress and be binding commitments regardless of the subsequent desire of our National Legislature. Since the act before you has to do specifically with international commitments, it probably falls within that same category. It may be relatively easy under the pressure of political expediency to pass laws which are contrary to constitutional provisions, if one has a realization of the fact that the situation may at any time be reversed. It should not be so easy to persuade one's conscience to permit such action when there is the distinct possibility that the action once taken cannot be corrected.

There is no reason why the intent of Congress to facilitate international trade through reciprocally negotiated reduction of tariff barriers should not be carried out in an entirely constitutional and legal way. What is required in order to do it is for Congress first to determine specifically what its policy is and, second, to state that policy clearly in a statute which sets forth yardsticks sufficient to assure, through normal channels of judicial review of administrative actions taken, that the will of Congress shall be carried out.

It is my belief, and that of the industry I represent, that the best interests of everyone in the country demands truly democratic procedures with our own Government and that truly democratic procedures require government by law enacted by the duly elected representatives of the people in accordance with the Constitution approved by the people.

What we ask is not that Congress abandon the principle of negotiation of reciprocal tariff modifications, but that it pass laws establishing

such principles in accordance with the adjudicated standards for properly safeguarded delegation of congressional authority. Neither the present act, nor the proposed act accomplishes this result, although the present act is a hesitant step forward in the right direction.

The CHAIRMAN. Any questions?

Senator MILLIKIN. I wish to congratulate the witness on his analysis of the situation. It has been so long since anyone has talked about the Constitution around here that you would have to get a page with a powerful microscope to discover the last instance.

Mr. CANFIELD. Perhaps the last instance was the last time that I spoke about it.

The CHAIRMAN. We will insert in the record of today a letter from Mr. Paul G. Hoffman, the Administrator of the Economic Cooperation Administration, bearing upon this subject before the committee, and also a letter from the Secretary of Commerce relating to H. R. 1211.

(The letters are as follows:)

ECONOMIC COOPERATION ADMINISTRATION,
Washington 25, D. C., February 17, 1949.

The Honorable WALTER F. GEORGE,
Chairman, Senate Finance Committee, Room 342,
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: Enclosed please find a statement of ECA's views on the trade-agreements legislation now before Congress. A similar statement has already been sent to the chairman of the House Ways and Means Committee.

Sincerely,

PAUL G. HOFFMAN, *Administrator.*

ECA'S POSITION IN REGARD TO THE FORTHCOMING RECIPROCAL TRADE AGREEMENTS LEGISLATION TO BE USED AS A STATEMENT TO BE SENT TO THE CHAIRMAN OF THE WAYS AND MEANS COMMITTEE ON OR SOON AFTER JANUARY 24, 1949

ECA strongly supports the trade-agreements legislation now before Congress. In line with the over-all objectives of the Foreign Assistance Act of 1948 ECA is especially concerned with accelerating the export of goods from European countries to all foreign markets including the United States, as a means of enabling these countries to balance their international payments and so reduce the assistance they require from the United States. We support the legislation now pending before Congress in that it aids in this effort.

ECA's interest in reciprocal-trade-agreements legislation stems from the basic objectives of the Foreign Assistance Act of 1948 which are to furnish materials and financial assistance to the participating countries "in such a manner as to aid them, through their own individual and concerted efforts, to become independent of extraordinary outside economic assistance within the period of operations under this title * * *"

An increase in the world volume of trade is not only desirable but vitally necessary if the other countries are to recover their ability to pay their own way. The reciprocal-trade-agreements legislation now pending before Congress is a basic means to the expansion of world trade, for this legislation will give the President authority to adjust tariff rates and enter into tariff agreements (subject to definite limitations and procedures) for an extended period of time, thus affording continuity of action.

Six countries now receiving ECA assistance are already parties to the general agreement on tariffs and trade, a comprehensive tariff agreement entered into by the United States under the authority of the Trade Agreements Act. Four additional countries which now receive ECA assistance will participate in tariff negotiations this coming April, looking toward accession to the agreement. The potential for recovery inherent in these negotiations depends upon favorable action by Congress in establishing the proposed trade-agreements legislation now pending before Congress.

THE SECRETARY OF COMMERCE,
Washington 25, D. C., February 18, 1949.

The Honorable WALTER F. GEORGE,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: I understand that your committee has begun public hearings on H. R. 1211, the reciprocal-trade-agreements legislation. Although I do not care to appear before the committee to speak on the bill, I do wish to have the views of the Department of Commerce included in the record of the hearings.

The history of this legislation is well known to your committee and the policies it represents need not be elaborated. There is no doubt but what the disturbed conditions of world trade arising from World War II and the conditions which have existed since then have not been peculiarly favorable toward securing the fullest benefits from these policies. However, it does seem clear that the tariff adjustments which have resulted have benefited our consumers at a time when supplies were short. The concessions received from other countries have also been of significance to some of our exporters.

I should like to urge that the authority to conclude trade agreements under this legislation be extended for at least 3 years from June 30, 1948. I also endorse the proposal that this extension be in substantially the same form as the act prior to the 1-year renewal last spring. The former act was tested in practice and enabled the administration to carry out effectively the intent of the Congress.

Sincerely yours,

CHARLES SAWYER,
Secretary of Commerce.

The CHAIRMAN. I believe that that concludes all of the scheduled witnesses for today.

The committee will recess until Monday at 10 o'clock.

(Whereupon, at 1:05 p. m., the committee recessed until 10 a. m., of Monday, February 21, 1949.)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

MONDAY, FEBRUARY 21, 1949

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

The committee met at 10 a. m., pursuant to adjournment, in room 312, Senate Office Building, Senator Walter F. George, chairman, presiding.

Present: Senators George (chairman), Connally, Lucas, Hoey, McGrath, Millikin, Butler, Brewster, Martin, and Williams.

The CHAIRMAN. The committee will come to order.

The first witness scheduled for this morning is Mr. H. L. Coe of the Bicycle Institute of America.

Senator CONNALLY. Mr. Chairman, may I interrupt? I have a telegram here from one of these witnesses scheduled, and he will not be here. He wants this telegram put in the record, if I may have consent to do that. The telegram is from Mr. Ernest O. Thompson, member of the Railroad Commission of Texas.

The CHAIRMAN. Yes, Senator, you may put it in the record.

Mr. Russell Brown, here, has more or less charge of the arrangements for the entire petroleum group, but you may put this into the record.

Senator CONNALLY. I will not quote it all:

My interest in protecting the general economy of my State is connected with the conservation of oil and gas. Any importation of foreign oil that would seriously curtail the demand for oil produced in Texas under strict conservation measures would necessarily be harmful to this State's economy.

That is the view. I would like to put the whole telegram, explaining this, in the record.

The CHAIRMAN. Yes, it will be inserted in the record.

(The telegram referred to is as follows:)

Senator TOM CONNALLY,
Senate Office Building, Washington, D. C.:

Just returned to Austin in time to get wire from Senate Finance Committee Clerk Elizabeth Springer advising me Governor Jester had asked that I appear before Senate Finance Committee hearings Monday, February 21, on extension of reciprocal trade matters outlined in H. R. 1211. Since it will be impossible for me to appear I will appreciate your getting into the record the following statement: "My interest in protecting the general economy of my State is connected with the conservation of oil and gas. Any importation of foreign oil that would seriously curtail the demand for oil produced in Texas under strict conservation measures would necessarily be harmful to this State's economy." I am sure that you appreciate this just as much as I do. Am sorry that the invitation reached me too late to comply with the Governor's request. I appreciate the committee's courtesy.

ERNEST O. THOMPSON,
Member, Railroad Commission of Texas.

Senator CONNALLY. Mr. Thompson, as I said, is a member of the Texas Railroad Commission, and is very active in all railroad matters.

The CHAIRMAN. Is Mr. H. L. Coe here?

(No response.)

Dr. John L. Coulter?

Dr. Coulter, you are appearing in behalf of the National Renderers Association?

STATEMENT OF DR. JOHN LEE COULTER, CONSULTING ECONOMIST, WASHINGTON, D. C., IN BEHALF OF NATIONAL RENDERERS ASSOCIATION

Dr. COULTER. Yes, sir.

The CHAIRMAN. You may have a seat and proceed with your prepared statement, if you have one.

Dr. COULTER. I have a relatively short statement, which I would like to present at the outset, and then develop any phase of the subject the committee may wish to explore by questioning.

The CHAIRMAN. Yes, sir. You may proceed.

Dr. COULTER. My name is John Lee Coulter, and I am a consulting economist, speaking on behalf of the National Renderers Association.

The National Renderers Association is a nonprofit trade organization with headquarters at 945 Pennsylvania Avenue NW., Washington, D. C. This organization has a total of approximately 275 member companies scattered from the Atlantic to the Pacific coasts, and from the Canadian border to the Gulf of Mexico.

These companies, largely single, independently operating establishments, are primarily engaged in the production of inedible tallow and grease but have as major joint products hides and skins, protein foods, tankage, bones, dried blood, and so forth.

This entire industry is built around the recovering of oil- and fat-bearing materials resulting from livestock industry operations. In turn, the United States is perhaps unquestionably the leading nation of the world from the standpoint of number and classes of livestock, including poultry.

Many different kinds of animals are produced in great numbers in practically every one of the 3,000 counties of the United States and on most of the more than 6,000,000 farms. Livestock of all classes are an important part of the domestic economy, not only for the edible commodities they yield, such as meat, dairy and poultry products, but also because joint products, such as fats and oils, hides and skins, protein feeds, tankage, bones, dried blood, glands, and so forth have a perfectly tremendous value when recovered properly.

It is not within the power of those engaged in this industry, or within the power of the Government, to artifically restrict the number or classes of animals produced on farms, or slaughtered, or which fall from accident or disease, or to control the percentages of most fats and oils, or the yield of other joint products or byproducts which naturally flow from the livestock industry.

In other words, it is not a flexible industry. It is not easily controlled by individual farmers or individual rendering plants, or individual packers. They have to take the result of the weather and the grass and the animals, and so forth.

Therefore, when we bind ourselves in trade agreements not to impose tariffs or excise taxes or to restrict imports except as a part of an agricultural program, unless we agree to reduce domestic production pro rata we are promising to do the impossible. This is one of the reasons why we are vitally interested in the pending bill, H. R. 1211, to amend and extend the Trade Agreements Act.

Senator MILLIKIN. Dr. Coulter, I would like to ask you a question about that last paragraph. You say:

> Therefore, when we bind ourselves in trade agreements not to impose tariffs or excise taxes or to restrict imports except as a part of an agricultural program, unless we agree to reduce domestic production pro rata we are promising to do the impossible.

The impossible in what respect?

Dr. COULTER. In the respect that we could not promise to reduce pro rata our production as a part of an agreement with another country; and unless we did promise to restrict our production we would be binding ourselves not to impose a tariff or an excise or processing tax or a quota.

Senator MILLIKIN. And we cannot do that, because—

Dr. COULTER. Because of the nature of the business; the livestock business being spread over every part of the Nation, every county in the Nation. And we would be binding ourselves as if we were saying "We never will ask for any concessions in any agreement."

CONSERVATION AND UTILIZATION OF USEFUL PRODUCTS OF LIVESTOCK INDUSTRY

It is to be remembered that about half of the land in the United States is not in farms but is waste or forest land. Furthermore, fully half of all land in farms is primarily devoted to the production of pasture, hay, and forage crops. Most of this land is not adapted to the direct production of such human foods as cereals, grains, seeds, fruits, nuts, and vegetables, vegetable fats and oils, cotton, tobacco, and other commercial crops. Furthermore, such crops as are grown commercially as feed for livestock are almost universally produced in rotation with cereals and other food or fiber crops, and it has been scientifically ascertained that the original soils under cultivation would have more rapidly deteriorated as a result of overcropping and exhaustion, and loss from that process would have been supplemented by wind and water erosion, had it not been for the livestock economy. In other words, the livestock industry is the sine qua non for the preservation of soil fertility as well as the food supplies and many other useful commodities for the human race.

HEALTH AND SANITATION

The major function of members of the National Renderers Association is the production of inedible tallow and grease, animal proteins, and other products from literally billions of pounds of material which would otherwise become a sanitation and health hazard. It is a matter of record that the operations of the industry are very closely supervised and regulated by city, county, or State health authorities and it is now a general practice that members of the industry be bonded and otherwise licensed to assure diligent performance of this

special type of assignment. Moreover, were it not for existence of this industry, city, county, or State units of government would have to provide for collection and disposal of such materials at great additional expense to the taxpayer.

While eliminating the possibility of extra local tax assessments by their operations, members of the association also pay very large sums of money annually to farmers, ranchers, feed-lot operators, meat packers, slaughtering establishments, retail meat shops and chain stores, hotels, restaurants, institutions, military establishments, and even the homes of the Nation—through the household grease salvage program—for the privilege of collecting these oil- and fat-bearing animal materials. Payments of this nature actually have the effect of lowering the cost to consumers of such primary articles as meat, dairy, and poultry products, and also result in a somewhat increased return to the producer of the animals.

CONSTITUTIONAL DUTY OF CONGRESS TO REGULATE FOREIGN TRADE

I think there is no need to consume time in discussion of the general proposition that during periods of war or other extraordinary emergencies it is a proper function of the National Government to provide such regulation of foreign trade as may be necessary in order to maintain economic stability in this country or in the world. Section 8 of article I of the Constitution specifically provides that it shall be the duty of Congress to regulate the trade of the United States with foreign countries.

Senator MILLIKIN. Will you not have a large increase in your business in the snow-bound areas?

Dr. COULTER. That is unquestionably going to be one of the things which we will be confronted with.

Senator MILLIKIN. So if you are going to regulate that part of it, you would have to regulate the snow.

Dr. COULTER. We would have to regulate the amount of grass and the amount of fat which the animals put on their bodies. And if you do that, and limit your livestock, you immediately are encouraging erosion. It is nothing but the livestock industry in the pastures, the hay, and so forth, that now makes possible prevention of erosion.

The CHAIRMAN. Where are you taking up now, Doctor?

Dr. COULTER. On page 4.

INTERCHANGEABILITY OF ANIMAL, VEGETABLE, AND MARINE FATS AND OILS

Animal fats and oils of domestic origin over any considerable period of years normally provide substantially more than one-half of the total quantity of fats and oils derived from all sources and used for all purposes in the United States. It is well known that butter, lard, tallow, and grease are the major items in this group of commodities derived from the livestock industry. One-third or more of the total animal fats and oils comes within the classification of tallow and grease. Production of those items has for a number of years been in the neighborhood of 2,000,000,000 pounds annually. It is this item with which the National Renderers Association is most directly concerned. It must be added at once, however, that indirectly we are

equally concerned with the situation as it pertains to all fats and oils and oil-bearing materials because of the general widespread interchangeability among the different fats and oils without regard to whether they are of foreign or domestic origin and without regard to whether they are from animal or vegetable origin because of the extreme extent to which interchangeability in use is possible.

It is well known that a considerable number of extremely important American industries are dependent upon imports for special technological reasons. Thus the tin and terne plate branch of the iron and steel industry has found it highly desirable to secure, from foreign sources, about 40,000,000 or 50,000,000 pounds of palm oil annually.

Senator CONNALLY. Is palm oil used in the production of edible fats?

Dr. COULTER. Yes; as a matter of fact, while I am not representing the edible fats group, it is significant that just before World War II started, in 1937, '38, and '39, we were importing as much as 400,000,000 pounds of palm oil. Now, the tin-plate industry only needs about 40,000,000 pounds. And that is nontaxable. Now, then, the rest of the 400,000,000 pounds used to go into the soap kettle. But that was the lowest-priced field. Therefore other industries quickly took palm oil into their hands, and commenced using as high as 20,000,000 pounds in the margarine and shortening industry.

Senator CONNALLY. That is what I was asking about, whether or not its mixture with domestic oils, such as cottonseed oil, would make an edible product out of it.

Dr. COULTER. Yes. And soybean oil and corn oil. That is right. So while we started in with this as a product from Liberia that the iron and steel people needed for the tin-plate industry, and it then got into the soap industry, it eventually found its way to the extent of two or three hundred million pounds into the margarine and shortening field, displacing the other oils.

Again, in the paint, varnish and floor covering, oil paper and oilcloth and related industries, the American market normally has found it desirable to secure in the neighborhood of 100,000,000 pounds of tung, oiticica, and other quick drying oils to supplement or complement the very much larger volume of linseed oil produced from domestic or imported flaxseed.

Again, the soap industry ordinarily finds it highly desirable to import substantially 20 percent of their fats or oils requirements in order to provide the lauric acid present in such tropical oils as those derived from copra, palm kernels, babassu and others in that particular group. Ordinarily, this means that there is a basic American market for substantially 400,000,000 to 500,000,000 pounds of these oils which come in the lauric acid group.

Again, the American market has become accustomed through long use or tradition to use large quantities of olive oil largely secured from Mediterranean countries although considerable quantities are produced in the United States and other domestic oils are in large measure used interchangeably with the imported olive oil. Other less important illustrations could be cited.

But the same thing applies there, Senator. Linseed oil may be used in many other uses than just paints and varnishes, and coconut oil, copra, and palm kernel oil, oil derived from babassu, and the others, are used, of course, in tremendous volume—half a billion pounds—in the edible field. So that these imports not only affect our

tallow and grease market and distort our lard market, but are equally burdensome to the vegetable oils, the soybean oil, corn oil, peanut oil, and cottonseed oil, which is the most important.

Altogether, it will be seen that ordinarily there is an American market for some 500,000,000 to 600,000,000 pounds of tropical vegetable fats and oils and/or oil-bearing materials, because of certain special characteristics for specific purposes. On the other hand, American producers have enjoyed an equally large market primarily in Latin American and European countries for an equivalent quantity of fats and oils of domestic origin. Lard has been the item of greatest importance from the export point of view over a long period of years, although cottonseed, soybeans, peanuts, and corn, and/or the oils derived therefrom hold, an important place in the export market. During earlier years, flaxseed, including linseed oil, held an important place in the export market, and at the present time should again be given an opportunity to find a place in the markets of Europe, since the domestic crop in 1948 apparently will exceed our total requirements.

As a matter of fact, our crop of flaxseed this past year is such that we have a considerable surplus to dispose of some place in the world.

Senator BREWSTER. Has that not been the subject of an agricultural program designed to stimulate flaxseed production in our country?

Dr. COULTER. Yes. In order to adjust the acreage between wheat and other spring crops, the effort has been made to greatly increase our flaxseed, and our farmers have expanded, especially during the war and postwar period, with the result that now we are again on an export basis; whereas for some years we were importing half of our flaxseed.

Senator BREWSTER. I ran into that in the Imperial Valley last week, where they had stimulated very large production; and they spoke of it almost humorously out there, because of the stimulus which they had received under the program. A great many of them had switched to flax production.

Dr. COULTER. As a matter of fact, they found out there, that flaxseed, a straw crop, was an admirable intercropping plant between successive crops of vegetables.

Senator BREWSTER. A rotating crop.

Dr. COULTER. It was used so as to get two crops in the same year, and also to rotate for the sake of the soil, to preserve the soil from erosion and wind.

So we get ourselves into it, and then we find that we are displaced by the imported commodity, and we bind ourselves to do nothing about it in these agreements.

During the year 1945, the last year of World War II, imports of fats and oils, including the oil content of imported materials, exceeded exports by only about 64,000,000 pounds. In other words, we were in fairly good balance in the closing year of the war. During the first full year after the war, 1946, imports exceeded exports by 124,000,000 pounds. We were already commencing to get excessive amounts of foreign fats and oils beyond our needs. During the full year 1947 imports exceeded exports by 622,000,000 pounds, and during the first 11 months of last year, 1948, imports exceeded exports by 629,000,000 pounds. The estimate is that it ran over 700,000,000 pounds of excess imports during last year.

I am going to pause for just one sentence there, and that is to this effect: that as a result, certainly following right after it, the prices of tallow and grease, lard, soybean oil, cottonseed oil, peanut oil, all of them, have been vitally affected, so that at the present time, while the packers would pay $20 a hundred, we will say, for hogs on foot, the lard, which is the most valuable part of the hog, sells for 10 and 11 cents. The tallow and grease, likewise from the livestock, is now selling at 8 cents, which is lower than the ceiling price during the war period; whereas everything else has advanced some 70 percent. It is not now paying the increased wages, charges for freight, cost of coal, and other costs. In other words, the industry is now very vitally affected, and we know, of course, that cottonseed oil is down to a matter of 12 cents, whereas it was something like 24 cents at the normal price.

In conclusion, it should be remembered that while the population of the United States is about 145,000,000, the population of the countries of western Europe included in the ECA programs is substantially double that figure, or 290,000,000. But these countries of western Europe are peculiarly deficient in domestic supplies of fats and oils, whereas the United States has demonstrated its ability to produce substantially all domestic requirements, although there are certain advantages involved in the importation of perhaps as much as 500,-000,000 or 600,000,000 pounds of special fats and oils annually, for special uses provided American producers can at the same time be assured a reasonable export market for approximately equivalent quantities of domestic items normally produced in surplus.

In other words, if we are going to bring in six or eight hundred million or a billion pounds beyond our basic needs for specialties, we should, then, somehow or other be sure that we are going to be able to export an equivalent amount of our surplus cottonseed oil, peanut oil, soybean oil, corn oil, lard, which I should have put first, and tallow and grease.

It is true that the Scandinavian countries, especially Norway, bring into the European market a very large quantity of whale oil from the South Atlantic and Antarctic Ocean. It is also true that the Mediterranean countries produce very substantial quantities of olive oil. On the other hand, western Europe with 290,000,000 people to serve, produces practically no corn, and therefore does not have resulting quantities of fat beef cattle, dairy cattle, sheep, hogs, and poultry. Again western Europe produces little cotton, practically none; therefore is without the tremendous volume of cotton and cottonseed oil. Furthermore, western Europen produces relatively small amounts of soybeans, peanuts, flaxseed, and other oil-bearing materials. Without delving into all of the details of this subject, the general conclusion may be drawn that western Europe, with double the population of the United States, is deficient in most of the important fats and oils needed for human consumption as well as for industrial uses. They must look to the whale fisheries and the tropical countries of the world and to the United States to make up these deficiencies. On the other hand, the United States is capable for producing for export an amount of fats and oils or oil-bearing materials at least equal to quantities of various specialities which it seems advantageous to import from tropical regions.

Having briefly reviewed the more important problems which relate to our industry—that is why we are concerned—from the standpoint of international trade in animal, marine, and vegetable fats and oils, and materials from which they are derived, the National Renderers Association comes before the Congress with the request that in extending the Trade Agreements Act of 1948, or in repealing that act and reenacting the act of 1945, and extending it from 1948 to 1951 with amendments, full consideration be given to the following suggestions for amendments.

We have in mind the bill as it came over from the House.

I. That before negotiations are commenced with any foreign country which may lead to concessions in rates of duty, excise, or processing taxes, or to binding of the status quo as to these taxes, the President shall cause a comprehensive study by the Tariff Commission as a guide to him as to all pertinent statistical, economic, and scientific facts which would have a bearing upon possible injury to domestic agriculture, industry, and/or labor. Provision should be made for a public hearing of interested parties as a feature of these investigations. If it is thought that 3 or 4 months is too long a time, and would slow down the trade-agrements program, then a shorter time should be specified. But the investigation must be made. Any finding by the Tariff Commission should be by the entire Commission, with opportunity for majority and minority reports.

Under this procedure, if a member of the Tariff Commission sits with the Trade Agreements Committee, it should be to inform that committee of the findings of the Tariff Commission, and not to determine public policy. The President would still be in position to consider other factors in deciding what, if any, concessions to make; such as national defense, general security, conservation, public health, and so forth. Whether and/or under what circumstances the President should explain his reasons for action to Congress—or to the Senate, in the case of a treaty—is a matter for the Congress to decide. The results of the comprehensive investigation by the Tariff Commission should be given to Congress and should be public in the same manner as the public hearings, after proclamation of any final agreement.

This proposal is in complete harmony with the so-called escape clause in the Mexican agreement, now included in all new trade agreements under the Geneva Agreement on Trade and Tariffs, and as proposed in the Habana Charter. But the investigation would be before the concession and therefore before possible injury, instead of after injury or threatened injury. An ounce of caution is better than a pound of cure.

Senator BREWSTER. Then it is not in complete harmony. Under those agreements, they have a postmortem.

Dr. COULTER. That is all they have. But they do have in that escape clause, a provision that in case of injury or threatened injury, the Tariff Commission shall make an investigation of the economic, statistical, and scientific facts.

Senator BREWSTER. After the fact.

Dr. COULTER. After the fact. That is true.

All we ask is for the investigation; and if, after the investigation, the President finds that the public health or something else is an impelling risk, he must then take that over and above the economic and scientific facts.

Senator MILLIKIN. Do you have any objection to the President telling the people why he took that action?

Dr. COULTER. I do not care one way or the other on that point. Nor am I concerned with whether it is 3 months or 4 months. I sat for years as a member of the Tariff Commission, and know that there never was an investigation that needed to be dragged out more than 3 or 4 months, even when we sent experts to foreign countries to browse around and get us background information. And if the President, as the Chief Executive, feels that a domestic industry shall be sacrificed, in spite of these facts, let him act accordingly, and let him make his peace with Congress.

Senator MILLIKIN. Are you willing that the President should have that power?

Dr. COULTER. Not unless the Congress sees that this is one of the problems that they want to take up with the State Department.

Senator MILLIKIN. I am asking you what you think, Doctor. Do you think that the Executive should have the power to destroy American industry?

Dr. COULTER. I have always taken the position that these were treaties, Senator, and they either should be approved by the Senate as treaties—there is no reason why we should worry about a little delay there—or else submit them to the Congress with opportunity to either approve or reject a trade agreement.

Senator MILLIKIN. Let me ask you for your personal opinion. Do you believe that the President should be permitted to sacrifice an industry "for some impelling reason" as you describe it, without his being required to make an explanation to the Congress?

Dr. COULTER. I think he should, but I am not here trying to determine the jurisdiction of Congress, but only to bring forward the fundamental fact that this thing cannot be done adequately and safely for the Nation until we have the facts. Of course, there might be a matter of national defense, let us say.

Senator MILLIKIN. What better reason could the President give than that of national defense?

Dr. COULTER. I think he should tell that to the committees of Congress without fail, and present it for rejection or approval. But certainly we do want this investigation made in advance, because we do know that at the present time, and in the last 2 years, each year, the imports have exceeded all that we have been able to get rid of. And we were restricted even under ECA to the extent of six or eight hundred million pounds, and it has brought the price of all these products down to an insufferable level.

II. That the so-called escape-clause, now generally accepted as one of very wide practical application, shall be added to all of the outstanding trade agreements negotiated before the Mexican agreement and before its inclusion under GATT and its proposal in the Habana Charter.

I shall not attempt to further develop that; although you had an excellent illustration before you, I think, on Saturday, where there is no such escape clause in the Swiss agreement, and therefore the watch people are unable to even get access to an escape clause, let alone a court review.

III. That the so-called escape clause be modified to make it more automatic in application. After an investigation by the Tariff Com-

mission, with report to the President, he should be authorized to suspend any concession, pending further negotiations, in the same manner as he now proclaims concessions after Tariff Commission study and consideration of other factors. It is recognized that the principal supplier in turn would be empowered to withdraw equivalent concessions.

But certainly we then should not drag it out for a year or 2 or 3, with further negotiations, not only with the country in question, but all other countries, and then with the ITO and something else. There should be an automatic suspension if present damage is claimed.

Senator MILLIKIN. He has that power under the Geneva agreement.

Dr. COULTER. But we are binding ourselves to such an extent that it has to go back through all of the channels.

Senator MILLIKIN. He can take an immediate escape. But the channels then operate in the postmortem fashion that Senator Brewster was speaking of.

Dr. COULTER. One of the bad features of it as it stands in that respect I make, point four.

IV. That the provisions in section 336 of the Tariff Act of 1930, to the effect that adjustments in tariff shall be related to trade with the principal foreign producer or supplier, shall have equal application in proposed concessions in the negotiation of trade agreements. In other words, this would require that in future negotiations the concessions must in the first instance be in return for equivalent concessions from the principal supplier of the like or similar domestic commodity. There could then be no objection to the continued application of the unconditional most-favored-nation provision extending all concessions to all other cuntries—except where cuntries were found to be discriminating against our export trade.

The reason I am emphasizing that point here is that pending at the present moment are about 400 items, in concessions to be granted to about 13 countries in a new Geneva meeting beginning in April. And one of the items is this item of palm oil. We have picked out poor little Liberia as the country to which we are going to make a concession in the way of binding it on the free list and perhaps cutting processing taxes, and so forth, although Liberia I think at no time has produced more than one or two or three million pounds.

Well, the Belgian Congo and Nigeria and the British areas, the old Cameroons, the German areas, Tanganyika, Sumatra in the Dutch East Indies—why, there are 10 others far more important. Why bind this and then extend and generalize that to everybody else? Then if we get into trouble—and we know that we are in it already—we have no escape. Because even if you canceled your concession to Liberia, all the rest of them are going to come up and say, "Why, we understood that was bound there so as to generalize it to all of us, and now we are all injured, and we are going to upset all of the trade agreements which we have with you."

Well, that is why I put that in: because of our immediate fats and oils situation.

Senator BREWSTER. Do they have the right to protest if you rescind a concession to a minor supplier, although it is not included in their agreements except by implication?

Dr. COULTER. It is extended to them under the law.

Senator BREWSTER. I understand that, but I say: Do they have a right then to reopen their whole agreement?

Dr. COULTER. Yes, they have a right under the GATT the General Agreement on Trade and Tariffs, under the ITO Charter that is pending, to put in their protests, and to cancel concessions which they claim to have made.

Senator BREWSTER. That is entirely ex-post facto. They made an agreement in which this was not included. Subsequently we made an agreement with a minor supplier in which it was included. If we open that up, that then opens up the whole field.

Dr. COULTER. But the 23 countries that entered into the first Geneva agreements are parties to the second agreement, which is going to be in April. And they will, pro forma, while not making any new concessions, extend to these new 13 countries their blessing, and get all of the concessions extended to these 13 new countries.

Senator BREWSTER. I understand that. But I want to be perfectly clear that that then enables them, if any concession is withdrawn from any single small supplier, to reopen their entire agreement.

Dr. COULTER. It does.

Senator BREWSTER. Is this by the validation of all of these by this new arrangement, or is that incident to the old arrangement?

Dr. COULTER. That is both. Because when they meet with the 13 new countries at Geneva—or I think they are actually going down to a summer resort at Annecy to have their meetings——

Senator MILLIKIN. That results from allowing them to draw their "GATT" on us.

Dr. COULTER. Yes. Well, they say that GATT is not "Geneva agreement"; it is "General agreement." So they do not need to meet at Geneva.

So that when, in the first group, they extend the most general favorable treatment to these newcomers, they are in turn getting a concession; which is any concession which we may grant to those 13.

Senator BREWSTER. We have that involved in the clothes-pin situation. We suddenly gave Mexico a concession on clothes-pins, and immediately the other major suppliers moved in. It was a perfect illustration. But as I understand you, if we reopened that, all of the agreements could automatically be reopened.

Dr. COULTER. That is true.

Senator MILLIKIN. Doctor, is it the fact that whether you make your deal with the principal supplier or with any other supplier, all affected countries have a right to make compensatory escapes?

Dr. COULTER. That is true. That is the summary statement, as I understand it.

The CHAIRMAN. All right, Doctor.

Dr. COULTER V. We think, somehow or other, there ought to be opportunity for judicial review of this proposal, or certainly the details of it, if American industry and labor and agriculture are to be closed down by an administrative act; somehow to get into the courts.

VI. In the case of all future trade agreements, it should be more specifically provided that no concession shall be effective which shall be in conflict with acts of Congress, which reserve the right to develop domestic agricultural or other programs to assure equitable treatment and prosperity to all segments of the domestic economy. The Sugar

Act of 1948 may be cited as an illustration of the specific act. Other general agricultural and labor legislation might equally well be cited. Other legislation of a domestic nature might have a direct bearing upon international exchange.

Senator MILLIKIN. Dr. Coulter, would you say that the President has any power to repeal an act of Congress under the grant of authority that has been given to him under the Reciprocal Trade Agreements Act?

Dr. COULTER. I think he should not have, but he has done so systematically. The Constitution, section 8 of article I, says specifically that Congress shall determine the exchange rate between domestic currency and the currency of foreign countries. Yet we went in and made a trade agreement with Belgium, with exchange ratios definitely established. The day after our President proclaimed the trade agreement, Belgium left the gold standard, cancelled all of her concessions, doubled her concessions she got from us, and started pouring in products. I refer here to "other legislation of a domestic nature which might have a bearing upon international exchange" and "government trading by foreign countries", that is, where the Government itself can take a loss on any item in order to get rid of something they have, or in order to build up a dollar exchange, or for any other reason. We are trading ourselves away.

I refer to "treatment of imports shipped by foreign cartels." We prosecute our own people if they engage in monopoly or anything of that sort. Congress may find it necessary to provide for situations of that sort in the field of critical and strategic materials, stock piling, and other subjects.

This provision should be made to apply to all trade agreements already negotiated, including those grouped under GATT and similar provisions, which should be included in the Habana Charter if, as or when, it is presented to Congress or the Senate for approval.

The acts of Congress shall prevail over anything put into a trade agreement, which is not a treaty.

VII. No human being, however endowed with foresight or power to interpret indications of what is in prospect, could possibly determine whether it would be better, for America or for the world, to extend the act to 1951 or 1952. We have no very definite recommendation to make on that point.

When the law now in effect was enacted last year, however, it was limited to 1 year for two very definite, and I think very desirable reasons:

(1) It was understood that the Habana Charter for ITO would be ready to take the place of GATT. It was desired to give plenty of time to study that attempt to codify and elaborate upon the whole field of international economic law. And the law was extended for 1 year, so that trade-agreements extension now could be tied in, in whatever way seemed best to the Congress and to the country, so that Congress, if it approved ITO would be approving these hundred articles, which are added to the rate concessions. And we would know what the law was, either in treaty form or in legislative form.

(2) Plans called for an extension of ECA, the European recovery program, to June 30, 1952. It was thought probable that these three pieces of related legislation could or should be coordinated. In other

words, in each of our agreements with each of the 19 western European countries, we have entered an agreement, which is substantially the Trade Agreements Act. We have said to each of the 19 countries, "We have a Trade Agreements Act, and you and we are going to work this thing out up to and through June 30, 1952." If you have examined those 19 agreements between this country and those countries under ECA, you will find that they have adopted the trade-agreements program as a binding program, even though no appropriation has been made except for this first year.

Whether these plans had or have merit, remains a matter of uncertain speculation.

Those are the main points. There are a great many other things. As you know, from hearing me before, I feel that this is one of the most vital pieces of legislation pending before the Congress and before the Nation.

The CHAIRMAN. As a matter of fact, Doctor, you have never agreed to it, have you?

Dr. COULTER. Oh, I was one of the very first proponents, Mr. Chairman. I wrote a number of memoranda, at Secretary Hull's request, and as a member of the Tariff Commission at that time, pointing out suggestions which I thought would be helpful, many of which were included. I was then on the Tariff Commission. This act was passed on June 12, 1934, and I wrote a commendatory letter and made a number of suggestions which I thought would be very helpful.

Incidentally, I did say that I could do it in all good conscience, because the Republicans, from the days of McKinley and way before that, had been talking about trade agreements and reciprocity, and had not gotten as much done as I would like to have seen done, as a Republican, as a progressive Republican. That came to the President's attention soon afterward, not on the 12th of June 1934, because a matter of 2 or 3 days afterward the President asked me if I would just as soon serve as a member of the Committee for Reciprocity Information. I readily agreed to do so. But I said, "Mr. President, I am not in the Army or Navy. I can't represent the national defense. I am not in the Commerce Department, so I can't represent them. I am not in agriculture or labor, so I can't represent them."

The President said, "Yes, but there are others. I am going to ask you to give up your Tariff Commission assignment and be appointed as a special adviser in this field and sit with the Committee for Reciprocity Information." And I did. A few days afterward I was reassigned and became a member of the Committee for Reciprocity Information, and was one of the first ones appointed.

I helped to draw up the first rules and regulations and sat in all of the hearings for a considerable period, about 20 trade agreements, and practically wrote the first agreement, a Cuban one; because I had been on the Tariff Commission and had made a complete study of the tariff on sugar.

The Tariff Commission, as a result of my study there, recommended—and it was unanimous—three Republicans and three Democrats—that the tariff on sugar be reduced 50 percent at that time, which was 1933, provided quantitative agreement could be entered into with Cuba that they would not flood this market. And the President liked

that idea, and said specifically that he favored including that in the first trade agreement, the one with Cuba. And I included that, and it was the specific recommendation of the Tariff Commission.

The CHAIRMAN. Did you sit in on the Swiss treaty?

Dr. COULTER. I think I was still there when the hearings were had. But when I found that they were not limiting themselves to the principal supplier and that there was no escape, I resigned and began an independent professional career, and now for a dozen years have had my own offices and have been urging some of these things for about 10 years.

The CHAIRMAN. I misunderstood you. For a long time I thought you originally took the position that these trade treaties were treaties and ought to be ratified as such.

Dr. COULTER. I put that as a preface. But I said then and all the way through that if you will negotiate with the principal suppliers, so that if there is any concession made you will get a concession, and if you will provide some reasonable way of getting out if you find you have misjudged the situation, or changed conditions, or new actions by other countries, like Belgium, the day after her agreement when she departed forthwith from the gold standard which she and Holland and Switzerland had maintained—I said that unless there is a mistake, I feel that I can do better work by urging some of these improvements. And most of these are nothing new with me, and have not been for 10 years.

The CHAIRMAN. That is what I recollect. You appeared in all of these hearings on each renewal.

Dr. COULTER. Yes, indeed; urging not the repeal, but urging that this method of procedure was so far superior to the congressional method, where, when you have so many thousand items it is so difficult. I had followed this matter. I was on President Wilson's personal economic staff, you know, in 1913, and at his behest visited some 25 countries of Europe, even the sugar beet fields of Russia, because sugar was one of the vital questions at that time. And I was an economist, and in professional work at that time, and knew President Wilson very well, and he appointed me with Secretary Bryan to serve in a special capacity.

So I have been following this since the act of 1913. And I still think there is a better way than the congressional way. And as a result of several years on the Tariff Commission, I think that the 336 flexible way is a slow way, and that many situations arise where we should not merely make the concession by cutting rates, but we should get them by negotiation.

Therefore I have over and over urged that since we did not include tariffs in our commercial treaties, we should have the counterpart in the way of either trade agreements available for Congress to veto if it pleases, or else make them treaties, and let the Senate pass its approval.

Now, that has been my position all the way through.

The CHAIRMAN. Any questions, Senator Connally?

Senator CONNALLY. No questions.

The CAIRMAN. Do you have any questions, Senator Millikin?

Senator MILLIKIN. I have none.

The CHAIRMAN. Any questions, Senator Brewster?

Senator BREWSTER. Yes; I have some.

I would like to have in the record a little history of this tariff matter, as you apparently are in the best position to give it.

Going back to its very early days, to my earliest recollection, at least, under President Wilson and subsequently a very substantial body of thought grew up critical of the so-called political determination of tariffs, under what were alleged to be a very serious evils arising from logrolling in the Congress. That tariff was more or less of a local problem, and that culminated in the various tariff acts which were under very serious challenge. It was felt that domestic politics should not enter so largely into the confirmation of tariffs.

Dr. COULTER. That is right.

Senator BREWSTER. Is that a fair appraisal of it?

Dr. COULTER. And that was why President Wilson after the act of 1913 took immediate steps to try to get a Tariff Commission. And the Tariff Commission was created at that time. I was here at that time. Dr. Tom Page, of Virginia, and I served for many years both in an advisory capacity and later as members of the Commission. And may I say that while Dr. Page was, as much as Dr. Taussig, a "free trader" in his general economic theory, after we had finished the first 150 rate-change studies under the Tariff Act of 1930, we found that he and I had never disagreed in any case in 150 cases, and that he had agreed to as many increases in rates as I had agreed to reductions in rates. And they had been based in every case automatically on the findings of the economic, statistical, and scientific backgrounds; except in one or two cases where there was a question of trying to measure prestige. Britain wanted our tariff reduced on pen points, because the Spencerian point had been the point of the world, and they wanted to supply the American market, and we had two or three companies making pen points, and there were questions of intangibles or imponderables that we did not feel we should go into beyond the specific facts.

Senator BREWSTER. They did not want the tariff point on pen points?

Dr. COULTER. And Dr. Page and the others, including Dr. Dennis, had agreed equally on about 50 cases, where we couldn't find any basis for either an increase or a decrease. Now, there was not a single case upset in that period. And the first one that raised a question was on the 23d of September 1931, when we had sent three recommendations to President Hoover, unanimously, for reductions. I refer to the Tariff Commission. And that day Britain left the gold standard, and we recommended to the White House that those be held in abeyance until we could observe the effect of manipulations of currencies.

Senator BREWSTER. Now I would like to establish this record a little consecutively.

When was it that the Tariff Commission was established?

Dr. COULTER. In 1916. There had been tariff boards before that for individual periods.

Senator BREWSTER. Now, the entire philosophy for that was to seek a scientific determination of appropriate tariff rates?

Dr. COULTER. That is exactly it.

Senator BREWSTER. And that was the whole background and the tradition of the Tariff Commission which gradually developed to have it on primarily a scientific basis?

Dr. COULTER. That is right.

Senator BREWSTER. To get away from what were alleged to be the evils of domestic politics and logrolling in the determination of tariff rates?

Dr. COULTER. Yes; and they did the most extraordinary thing in setting up a Commission of six members, three of each party, whereas no other committee, court, judicial body hardly ever known, had other than an odd number, so that it could break a 50–50 vote.

Senator BREWSTER. You will give credit to Senator Connally for creating such a committee in foreign relations, when we created the United Nations.

Dr. COULTER. Yes; I think Senator Connally and Senator Vandenberg made a wonderful record.

Senator CONNALLY. Thank you.

Senator BREWSTER. That is a matter of public record. Now time marches on. We go to the Smoot-Hawley tariff, and its allegedly excessive rates, and the depression, and the creation of this new method of approach.

As time passes on, it is now, as I understand it, alleged—and I would like to have your estimate of this—that while we have moved substantially away from the zone of domestic politics in the determination of rates, now international considerations become a very important factor. Perhaps they always were; but at any rate, that is the basis on which the departure from the so-called protective standpoint for individual industries is brought in question. And it is alleged that these other considerations of which you speak, of Government policy, international problems, exchange problems, and all these other things, must be a substantial if not a determining factor.

Does that not boil down now, having departed materially from domestic politics in determining tariff rates, to entering the realm of international politics to determine tariff rates?

Dr. COULTER. It is getting very, very much that way.

Senator BREWSTER. Is there not as much danger that considerations of that character will undermine the scientific approach to tariffs, as far as protection of individual industries is concerned?

Dr. COULTER. The great danger there is that if you have no Tariff Commission study of your facts and the scientific details and the negotiations are carried out primarily from the standpoint of representatives on the reciprocity committee, from Commerce, Agriculture, Treasury, and so on, they are going to determine the whole thing from that standpoint, and almost completely ignore the basic factors.

Now, I remember very vividly that in 1916 when President Wilson was so anxious to get that through. He wanted it for the one-hundredth anniversary of the act of 1816, which was the first protective tariff. He said, "Now, after a hundred years we can start down."

Up to 1816 we had entirely a revenue tariff, but after the war of 1812–16, we were so sick and tired of being bullied by the rest of the world, with them setting the prices, and so on, that in 1816 we started in on a hundred-year program. In 1916, the new Tariff Commission was established. But it had no flexible powers. It was merely to study. Then, in 1922, it was thought that the time had come for Congress to set up in the Commission an additional power, and that was for adjustable rates. And there the formulas or criteria, or yard-

sticks were set forth in section 315 of the Tariff Act of 1922. That was in effect then up to 1930.

Senator BREWSTER. Was that the Fordney-McCumber tariff?

Dr. COULTER. Yes.

Senator BREWSTER. Was that where they allowed the President to increase or decrease rates of duty as much as 50 percent?

Dr. COULTER. Yes.

Senator BREWSTER. And that power still exists?

Dr. COULTER. That power still exists. But as soon as any item is taken over for consideration, for concession in a trade agreement, it is withdrawn from the jurisdiction of the Tariff Commission, and they can no longer investigate any such item. And now 75 or 80 percent of all items in the tariff act have been taken under advisement for trade agreement.

And may I say that in a great deal of that they have taken the classification phase. There are about 4,000 items where rates have been changed or bound, and under the trade agreements thus far negotiated there have been about 2,000 items added by subclassifications and new definitions. An item that is in a blanket clause or n. s. p. f. or general clause, they have picked out and put a special rate on it, so that if you should start now in Congress to legislate, taking our present rates as a base, you would have 2,000 or more items to decide on more than you had when this act was passed.

Senator BREWSTER. Now, you are familiar with the statements of President Truman as to the protection of domestic industries.

Dr. COULTER. Yes.

Senator BREWSTER. I believe his language has always been "industries" as distinguished from "industry." That is, he repeatedly, I think, and publicly stated that he would not permit any American industry to be injured, or very seriously injured by this program.

Dr. COULTER. Yes.

Senator BREWSTER. Is it possible for anybody to determine whether or not there is injury if you do not have a determination by such a body as the Tariff Commission?

Dr. COULTER. I have not been able to think of any other way.

Senator BREWSTER. That was the concept of President Wilson in its creation, undoubtedly.

Dr. COULTER. Absolutely. It was to get away from the experience he had, as he said, in getting the Underwood Act.

Senator BREWSTER. Does not the finding of the Tariff Commission as to the peril point for a domestic industry with the further power of the President to disregard that, if he feels other considerations are paramount, combine the two approaches very effectively?

Dr. COULTER. I think that is correct.

Senator BREWSTER. That is why you contend so earnestly for a preliminary finding by the Tariff Commission as to its impact upon a given domestic industry.

Dr. COULTER. A thorough study.

You know, while I am not representing here today any other group—I do have various clients—it is a fact that the Tariff Act of 1922 did not even mention rayon. Your cotton people, Senators, had never heard of rayon. The word "rayon" did not appear in the tariff act. But there was artificial horse hair, and one or two other

synthetics, so that when this synthetic thing called rayon came along, it was another item in that general proviso. Changes are coming so rapidly in our modern period. I heard, within 24 hours, that the steel industry may not need any palm oil after this year. And yet they have told Congress since the turn of the century, "We have to have palm oil, and we don't want any tariff or processing tax on it." And when an excise tax was put on palm oil, it was provided, however, that if made indelible and used for the tin-plate industry, the excise tax was waived; so important was it. And now I am told within 24 hours that they are sure they have a substitute and will not need palm oil, and they don't care what happens to it now.

Senator BREWSTER. What has been the condition, Doctor, in the past 16 years as to the tariff situation, first during the depression and second during the war? What has been its effect as far as tariffs were concerned?

Dr. COULTER. Well, so far as the trade agreements are concerned, they have been substantially inapplicable.

Senator BREWSTER. Why do you say that?

Dr. COULTER. Because of the depression and the getting ready for the war, and the war period, and the postwar period. This market has not been, until relatively recently, overwhelmed by any mass of imports at industry-breaking prices as a result of some concession.

Senator BREWSTER. In other words, the question of whether we have approached or passed the peril point for American industries generally has never been tested in the last 16 years, first because of the depression in the whole world, and secondly because of the war.

Dr. COULTER. That is right.

Senator BREWSTER. So that it is impossible to have, at any rate, a scientific opinion as to whether or not we have reached too low a point as far as protection of American industry is concerned.

Dr. COULTER. The Tariff Commission, in a five-volume report within the last year, in response to an Executive order from the President, says specifically that from all of the facts, and from their constant study of every item, they are unable to place their finger upon any evidence, measurable evidence, indicating that American industry has been benefited or injured, up to that time.

Senator BREWSTER. During that period?

Dr. COULTER. Yes. Now, that brought us up past the war. And that is an admirable report. It is a mimeographed study.

Senator BREWSTER. What was the effect on the tariff situation of the departure from the gold standard?

Dr. COULTER. Well, of course, that distorts at once the values of currency and the terms in which commodities are paid. And I may say that I think that it is, and was before 1934, the most vital thing, and had it been dealt with as an international monetary problem at that time, we need not have had the collapse in this country in '32, '33, and '34, and we actually would not have the distortion of rates.

Under the Tariff Act of 1930, actually the rates enacted by Congress averaged out at just about 38 percent. Yet because of that price collapse, precipitated by the international monetary manipulation, our tariff rates were actually almost 60 percent; or 59 percent.

Senator BREWSTER. You are referring now to the Smoot-Hawley Act?

Dr. COULTER. Yes, the Smoot-Hawley Act. We are told constantly that Congress passed an act providing a 69-percent tariff, the highest in the history of the world, the highest of any country; which, of course, was just a lot of talk. But the 38 percent, because of the price collapse, which in turn was a feature of the international exchange changes and manipulations is, when converted into effective rates, actually 59 percent average on all of our dutiable imports.

Senator MILLIKIN. Let us look at the obverse side of the coin. Is it not axiomatic that if you depreciate your currency, you improve the position of your exporter?

Dr. COULTER. That is right.

Senator MILLIKIN. So that the depreciation theoretically, at least, helped the exporter, although it may have had the effect on imports which you described.

Dr. COULTER. And the reason the other countries depreciated—all these countries—was in order to stimulate their exports.

Senator MILLIKIN. There was a balance there between the advantage to our exporters and the disadvantage to foreign exports to this country, theoretically.

Dr. COULTER. That is true. But my contention was the same all the way through at that time. I think the proceedings before the Ways and Means Committee in 1932, in January or February, will show that I was a witness there for several hours, just on the one question of whether some way couldn't be found for evaluating the currency exchange manipulation and the price manipulation.

Senator MILLIKIN. Now, I may be oversimplifying, but is this not roughly true, that in a period where the world currencies are as unstable as they are at the present time, you simply cannot make effective tariff agreements unless you have all sorts of provisions in there for adjustment of the changing values in currency?

Dr. COULTER. That is true. And I think it is equally true that the modern scientific era is such—I mentioned rayon just as an example—that we have literally revolutionized our procedures. When we brought in palm oil for the tin-plate industry, we had no idea that that was going to displace cottonseed oil to the extent of 200,000,000 pounds and break the price of it at the present time.

Senator MILLIKIN. May I refresh your memory, Doctor, that the Reciprocal Trade Act was passed as an emergency measure to get us out of the depression?

Dr. COULTER. I think that was a talking point.

Senator MILLIKIN. The language is in the act.

Dr. COULTER. Yes; well, those who wrote the act wrote too much in it. And the House now, I am very thankful, in the pending measure, have asked permisison to "let's drop that and get away from all that foolishness." That wasn't a fact, and it was just a good talking point, and it was thought of as a selling point. But it never was effective.

Senator BREWSTER. At any rate, if it were passed for that objective, it did not accomplish it, as we still had 8,000,000 unemployed in 1940, after 7 years of its application.

Dr. COULTER. Yes. Other things, you see, were so fundamental.

The CHAIRMAN. Have you any further questions, Senator?

Senator BREWSTER. Yes, I have a number of questions.

The CHAIRMAN. We have a long list of witnesses.

Senator BREWSTER. Well, we have a long list of unemployed up in the State of Maine, and we are interested in the fact, and we want to find out, if we can, what is the difficulty.

You spoke of the effect of the gold standard, that it helped the exporter and conversely injured the importer.

Dr. COULTER. When any country departed, it affected the price, and by so doing it stimulated exports.

Senator BREWSTER. And assisted the foreign exporter to this country; who came in, in other words, as an importer.

Dr. COULTER. That was the intention.

Senator BREWSTER. In other words, if you were proceeding on a protective tariff theory, when you departed from the gold standard, and you materially modified the protective principle in its application.

Dr. COULTER. That is quite right.

Senator BREWSTER. So that that was a very substantial factor in the situation. We went, did we not, at that time, to a so-called 60-cent dollar?

Dr. COULTER. Yes.

Senator BREWSTER. Would that mean that there was an approximately 40-percent variation in the protective tariff as a result of that?

Dr. COULTER. As to the effectiveness of it.

As a matter of fact, when Britain left the gold standard, in September 1931, even Canada, which stayed on the dollar-exchange basis with us, imposed what they called an exchange duty, to supplement the regular duties, whatever they were, in an amount depending upon the extent to which the British pound sterling departed from the gold base. France did the same against England. Belgium did the same.

In other words, those countries said, "Well, you can go off gold if you want to, and think you are going to export and dump on us, but you are not going to. We will impose, in addition to our regular duties, an exchange duty." Several countries did it.

Senator BREWSTER. That is very interesting. I know I had that from Mr. Bryan who I think was chairman at the time. And as I recall his statement to me, it was that when we went off the gold standard, we practically threw the protective tariff principle into chaos.

Dr. COULTER. That is right.

Senator BREWSTER. That is a fair appraisal of the situation?

Dr. COULTER. Well, those who did so thought we should match what the other countries had done, to get back into the old basis.

Senator BREWSTER. But then you came into a competitive depreciation.

Dr. COULTER. That is right.

Senator BREWSTER. Was the economic stabilization conference London held in 1934 or 1933?

Dr. COULTER. In 1933, in June.

Senator BREWSTER. That was designed to attempt to terminate that competitive depreciation, was it not?

Dr. COULTER. That is true. That was the big thing that they were talking about.

Senator BREWSTER. And that was the thing that Secretary Hull was profoundly interested in?

Dr. COULTER. Yes, indeed. He went there in April, I think, of 1933.

Senator BREWSTER. To achieve that objective. And it was a decision in this country at that time by President Roosevelt against continuing that conference that resulted in terminating at that time the attempt to stabilize the exchanges.

Dr. COULTER. I think it perhaps is true that during that early period, March, April, and May, the President had decided to devalue our own. In other words, unilaterally he decided, as a result of his advice that the way to do it was to bring ours back to their level, all of them being on a depreciated basis.

Senator BREWSTER. In other words, he did not think it was a favorable time for us to enter into such a stabilization agreement.

Dr. COULTER. That is true. He thought by devaluing our own gold and getting on their line—George Warren, of Cornell, who was a close personal friend of the President and of mine, who was a fellow professor with me for many years, and who exchanged books with me, and all, told me that that was on the cards, and that was the only way any of them could see to do it; and that is what they were appealing to the President to do. And that is, perfectly clearly, what took place.

Senator BREWSTER. Coming back to my original point, we did create the Tariff Commission to try to remove the tariff problem and protection in some measure from the realm of merely political determination.

Dr. COULTER. Exactly.

Senator BREWSTER. And international politics now are a very substantial if not determining factor in the making of these tariff agreements, would you not say?

Dr. COULTER. All of us who have represented hundreds and hundreds and hundreds of commodities feel that that is true; that a Tariff Commission investigation is just absolutely basic and should be required by act of Congress as a yardstick or criterion or guide, even though the other factors are given weight.

Senator BREWSTER. What were the rates under the Underwood tariff, which was effective at the close of the First World War, on the average? Do you recall?

Dr. COULTER. In the last year, before it was displaced by the Fordney-McCumber, the average rate was about 36.

Senator BREWSTER. Of the Underwood tariff?

Dr. COULTER. Yes. But during the war, in 1915, 1916, and 1917, because prices went up so high, relatively, rates correspondingly declined, so that at the peak of prices the average rate was about 16 percent.

Senator BREWSTER. Now, have you followed the current rate?

Dr. COULTER. Yes. Under the Trade Agreements Act the rate during the last month for which we have the details, about 3 months ago, is about 13 or 14 percent.

Senator BREWSTER. In other words, we are now under the lowest rates of the Underwood tariff.

Dr. COULTER. That is right.

Senator BREWSTER. And we are less than one-half of the rates at the time of the 1920 difficulties following the World War which led to the emergency tariff and then to the Fortney-McCumber tariff.

Dr. COULTER. That is true. The emergency tariff in 1921 was in May, and that was followed the next year by the Fordney-McCumber.

Senator BREWSTER. Now, I have asked some of the preceding witnesses, and I should like to ask you, too, if there would be any objection to your filing a list of the firms which are represented in your association.

Dr. COULTER. No objection, I am sure. Mr. Wise, the secretary of the association, is here, and I am sure he would be perfectly willing. There are about 300 independent renderers from coast to coast, from the Canadian border to the Gulf. Every State is represented, because there are one or more plants, generally in each, about 300 plants in 48 States.

Senator BREWSTER. The thing that, it seems to me, is of importance, is to consider the impact of this particular industry which you represent as concerned with our entire economy.

In many instances, there is a geographical specialty, but in your instance you have a Nation-wide problem.

Dr. COULTER. That is why our introduction here called attention to the fact that cattle, sheep, and hogs, as well as poultry, are on every farm in 3,000 counties in every State, and our plants have to be distributed almost evenly in proportion to the agricultural industry. We are a little heavy in the larger city areas where the products of the butcher shops come in for rendering.

Senator BREWSTER. And do you have the approximate number of employees who are concerned in these industries? Or could you secure some approximation?

Dr. COULTER. I think it would be an estimate. I think the Census Bureau might give it to us. I should say 50,000 or something like 50,000, perhaps, of the regular staff.

Senator BREWSTER. What is the approximate time in which difficulty develops over a period of months and years as a result of the impact of these imports of which you speak?

Dr. COULTER. Well, during 1946, as I indicated, we were in substantial balance. Then, the next year there was 62,000,000, and then 400,000,000, and then last year 600,000,000 pounds. We had gotten that much out of balance. And we have piled up inventories so high that while the prices of cattle and hogs have been from 20 to 30 cents a pound and hides and skins were about the same, with hides about 27 cents and tallow and grease and lard about 25 and 26 cents, and cottonseed oil, and so on, now all of those are down, so that the lowest tallow and grease, a major item of 2,000,000,000 pounds, is down under the Government fixed price during the war period, 8 cents.

Senator BREWSTER. At what point will this begin to affect the employment in that industry?

Dr. COULTER. It is already affecting it.

Senator BREWSTER. To a very material extent?

Dr. COULTER. Well, you may have noticed that since January 1 not a radio program in all of the soap operas has suggested that householders save any grease. They had to quit it. The stores couldn't pay them anything for it. The householders who had built up a surplus as a war emergency had produced several hundred million pounds and brought it into the butcher shops and turned it in. For what? To make glycerine. Because until right now, until a matter of

months, all of the glycerine, the basis for the munitions industry, came from splitting the animal fats. I say "until right now," because just within the last few months a synthetic glycerine from petroleum in a pilot plant has proven its efficiency; and it may be that in the future the munitions industry may not have to go to animal fats and oils at all.

But now there are several hundred million pounds that were gathered which now have been abandoned entirely in the shops, which can't be bothered with it. The butcher shops have to get rid of their own scrap. And instead of dumping that out, which they are prohibited from doing for sanitary reasons, rat piles, and so forth, they have to get that into rendering plants. But they are already curtailing production, because stock piles have gotten too high and the price too low.

Senator BREWSTER. What I am directing this to is the difference in time as between the two approaches: if you have the preliminary determination of the peril point, the President then making a decision as to whether or not that shall be determinative; or the other procedure, of what I term a post mortem. What is the time lag?

As I understand it, the Tariff Commission can only make a finding based on actual imports and actual injury.

Dr. COULTER. That is true.

Senator BREWSTER. What is the difference in time in those two situations, so that we may know how long the people must go without redress?

Dr. COULTER. Well, within 1 year the price of cottonseed oil and soybean oil and tallow and grease and lard have all gone down 50 to 75 percent.

The CHAIRMAN. Did not the restrictions on exports have a great deal to do with that?

Dr. COULTER. We think so, and we were before the Banking and Currency Committee on that.

The CHAIRMAN. Well, that does not have anything to do with the reciprocal trade program. Now those restrictions on exports have been lifted, have they not?

Dr. COULTER. Yes, they have.

The CHAIRMAN. But very recently.

Dr. COULTER. Just the 7th of this month.

The CHAIRMAN. Was that not a material factor, so far as those prices here were concerned?

Dr. COULTER. We think so. And we fought that with your Banking and Currency Committee and got favorable consideration and the amendment was made. And we hope that that will help us. Because, as I pointed out in here, Europe is suffering for fats and oils. Every report of the Department of Agriculture that touches upon the subject at all always says the greatest shortage is fats and oils. And yet we have not been able to send them fats and oils. Now, of course, they are saying "But we do not have dollars. We can't pay." And I don't know where the next step will be, whether it will be aid from ECA or what.

The CHAIRMAN. Well, ECA, as a matter of fact, was furnishing dollars, was it not?

Dr. COULTER. But earmarked.

The CHAIRMAN. Earmarked, yes.

Dr. COULTER. First, they had to save them from starving. Now it is a question whether fats and oils shall come into the picture.

The CHAIRMAN. I just wanted to bring that out.

Pardon me, Senator Brewster.

Senator BREWSTER. Well, I would like to have a little more about the time. You have really answered my question.

Dr. COULTER. Within 1 year we have been brought down to the present point, from a condition of reasonable prosperity, under which out of the three or four hundred companies, probably, 75 or 80 percent paid some income taxes, Federal or State, in addition to all their usual taxes and everything else, and did not object to the Government fixing minimum wage rates, and even boosting the freight rates, and doing other things. And now company after company of the group I represent is telling us day after day, "We don't know whether we will be in business next week or not, but if so, we will do so-and-so."

Some of them are shutting down. They have cut off all of this fringe, which was not profitable business for them.

Senator BREWSTER. What happens now, in the actual procedure? Suppose a case were filed under the escape clause for redress. Does all the evidence have to bear upon conditions as of the date of the filing, or can they take into account developments during the period of the investigation? Do you know as to that?

Dr. COULTER. There are no restrictions set on that. The investigation is requested and there is very little that we can hope for through an escape clause anyhow in this case.

Senator BREWSTER. Supose you went ahead under the escape clause now, to secure relief, if you could, in this situation. What would be practicable, and what would be the probable time involved?

Dr. COULTER. No action; because they started off binding palm oil and coconut oil with the trade agreement in Holland at the time that the East Indies were a part of Holland, and now that Indonesia and Holland are at an impasse, you can't serve papers on anybody, and if you started negotiations it would be impossible to get anywhere. I think that is why they are now taking on little Liberia. They want to bind it with another country, because they think things are going to run out from under them as to Indonesia and Sumatra. We think in our case we are just helpless unless the President is well advised before he goes on with these things.

Senator BREWSTER. That is, you do not think you can get any redress under the provisions of the law that prevailed under the original reciprocal trade agreement program.

Dr. COULTER. That is true. The original binding, and so on, in most of these fats and oils was back in the days before Mexico. But in the GATT meeting, the Geneva meeting, it is true that Holland was included, and Belgium and France and England. Now, then, whether a new binding over, shall I say, of recalcitrant colonies, or whatever we shall call them, is binding or not, we don't know. We know where all of these tropical fats and oils come from, that are just as good as tallow and lard.

Senator BREWSTER. Do I understand that you do not feel the escape clause in the existing agreements would operate effectively for your relief?

Dr. COULTER. We think that if we had a Tariff Commission finding, the President would not go further with this, and then we would start in trying to get some of the bindings we have released.

Senator BREWSTER. Well, do they not have that power and responsibility under the escape clause?

Dr. COULTER. Well, I say that all of the original bindings were before the escape clause came in, before Mexico.

Take Brazil, for instance.

Senator BREWSTER. What I was trying to get at was the amount of time that would be required for such a determination.

Dr .COULTER. A year or two, and maybe long before that, everything would be all closed down.

Senator BREWSTER. That is all.

The CHAIRMAN. Any questions?

Thank you very much, Doctor.

Dr. COULTER. Thank you very much, Mr. Chairman and members of the committee.

The CHAIRMAN. Is Mr. Coe now present?

Mr. Coe, is your statement a lengthy one, or short?

STATEMENT OF H. L. COE, REPRESENTING BICYCLE INSTITUTE OF AMERICA, INC.

Mr. COE. Very short, Senator.

The CHAIRMAN. You are very welcome here.

You are appearing for the Bicycle Institute of America?

Mr. COE. Yes, sir.

The CHAIRMAN. And that institute, I assume, must cover more than mere bicycles?

Mr. COE. Yes, the institute is the central organization that covers the bicycle industry. We have in our membership bicycle makers, dealers, jobbers, wholesalers, and parts manufacturers. So that it is really a fair cross section of what might be termed a general industry.

The CHAIRMAN. Yes, sir. Well, you may proceed, Mr. Coe, with your statement, if you have a prepared statement.

Mr. COE. Yes, sir.

The Bicycle Institute of America is composed of—

1. The Bicycle Manufacturers Association whose members produce 98 percent of all bicycles made in the United States.

2. Cycle Parts and Accessories Manufacturers Association whose members produce over 80 percent of all the component parts, such as tires, coaster brakes, frames, saddles, and so forth.

3. Cycle Jobbers Association, whose members distribute over 90 percent of the bicycles and parts sold in the United States.

4. Merchant members group, comprising the leading wholesale distributors of bicycles and parts.

The organization, therefore, may properly be considered as truly representative of the United States bicycle industry, as its members are not only manufacturers, but also dealers and jobbers primarily concerned with the Nation-wide distribution, sale, and servicing of the millions of bicycles now in daily use in this country.

The volume of sales of this industry now exceeds $100,000,000 a year. Many of the manufacturers are located in relatively small com-

munities in Massachusetts, Connecticut, New York, Ohio, Indiana, and Illinois, where their pay rolls are an important factor in the economy of these districts. Unless the industry can continue in a healthy condition, the results will be serious unemployment and ghost towns.

The position of the institute with respect to the continuous reduction in tariffs has been presented to this committee at previous hearings, at which time the particularly vulnerable condition of the industry, in the face of foreign competition was emphasized. This situation was further covered in great detail on briefs presented to the Tariff Commission and the Committee for Reciprocity Information. However, each time that bicycles have been put on the bargaining list, the rate of duty has been reduced. Originally some protection was offered through a 30 percent ad valorem duty, but repeated reductions have now brought the figure down to approximately 7½ percent, or between $3 and $4 a bicycle, which is far less than the difference in cost of labor, due to the high scale of wages paid in the United States as compared with that abroad.

The type of bicycle made in the United States has been developed to meet the requirements of American riders and finds only a limited acceptance from foreign buyers, the principal market being in Canada. That is the principal foreign market. However, in spite of concessions granted by us at Geneva last year, this market has now been reduced by 60 percent through quota limitations of the Canadian Government. That strikes right at the heart of our major foreign purchaser.

The market for our bicycles is, therefore, limited almost exclusively to the home trade.

Senator MILLIKIN. Do they make bicycles in Canada?

Mr. COE. Yes; they make some, Senator.

Senator MILLIKIN. Do they get many in Canada from Great Britain?

Mr. COE. They import a great many from Great Britain; yes, sir.

The industry, during the past 16 years, has spent large sums of money in developing the special features of design and construction, particularly suited to this market and in popularizing the use of bicycles for health and recreation. Constant changes in design and improvements in construction and manufacture have kept abreast of the most modern and efficient techniques to the end that the American models now being offered to the public are the finest that can be built, especially styled to meet the conditions in this country.

Keen competition insures the lowest possible cost to the purchaser consistent with essential quality.

Recent reports from Switzerland are to the effect that foreign bicycles are being offered at $12 each, which is less than the direct labor cost going into the conventional American model.

Senator CONNALLY. May I ask you a question right there?

Mr. COE. Certainly, sir.

Senator CONNALLY. I was out in Japan some years ago, and as you know they are great users of bicycles.

Mr. COE. Yes, sir.

Senator CONNALLY. You see just an army of them going to work in the morning and coming back at night. I do not know whether this is authentic or not, but I was told that those bicycles could be bought for $6 apiece.

Mr. COE. I think you are right, Senator. They shipped them over here at practically less than a quarter of our sales price; and there was a good deal of agitation over that at the time. The present tariff was established to discriminate against that particular type of importation.

Senator CONNALLY. I am sure they were not comparable to our bicycles in construction or workmanship; but still they said that was the price that the ordinary bicycle could be bought for.

Mr. COE. That is right. And while they were not comparable, they built them to look, as nearly as they could, like our bicycles. Yet you would buy one of them at this low price, and it would fall apart before you had ridden it very far.

Senator MILLIKIN. Mr. Chairman, may I ask: How many bicycle manufacturers are there in this country?

Mr. COE. There are 11 bicycle manufacturers who make bicycles as their major activity. Then, of course, there are a large number of parts manufacturers who build component parts that go into the final assembling.

Senator MILLIKIN. How many of those parts manufacturers are there?

Mr. COE. Oh, there must be a hundred or more, Senator. I am not sure just how many.

Senator MILLIKIN. What would you say was the total pay roll? How many are employed in the whole business?

Mr. COE. Well, the total payroll, excluding the small bicycle repair shops scattered all over the country, runs between thirty and forty thousand people. That is about our average at the present time.

Under our present policy of rehabilitating the industries of western Germany and Japan, the production of bicycles is increasing to such an extent as to cause serious concern.

That was the point you had in mind, Senator. In the prewar era, the production of the Germans was almost equal to the British in their total manufacture of bicycles. The British were, and always have been, the greatest producers of bicycles. They have the volume, and they are mass producers.

The CHAIRMAN. Is France a big producer?

Mr. COE. France is large, but it was not in the class of England or Germany. Italy also is a considerable producer of bicycles. and Czechoslovakia is now producing them, and Poland, and the Netherlands is producing a small quantity.

The CHAIRMAN. Of course, that production was checked during the war period.

Mr. COE. Yes, German production was entirely eliminated, and so was that of Japan. But no wwere spending our money to rehabilitate them, and they are coming back on their feet. The Germans are now building up rapidly, and so are the Japanese. There is no serious objection that I can see economically to that general theory.

On the other hand, when they do get going up to full speed, we are going to be in serious trouble, because of the difference in cost.

That foreign manufacturers are ready to attack the American market has been known for some time. Even prior to World War II, British manufacturers were prepared to produce a line of bicycles comparable to those sold to the American market, together with appro-

priate advertising material. That these foreign manufacturers are determined to take full advantage of their favorable position, free from any quota or tariff restrictions on our part, is all too apparent. Dealers and distributors have been established, and promotional literature is constantly appearing.

Recent reports indicate that substantial shipments from Japan will enter this country during 1949.

That was based on one single order for 24,000 bicycles to be delivered in 1949. Whether that will be consummated or not, of course, we don't know. But that shows the trend.

There is every indication that a vigorous effort will be made by the British industry, whose production exceeds that of the United States, to invade the American market. Commenting on the bicycle and motorcycle show held in London last November, Engineering, an illustrated weekly trade journal, published in London, in its issue of November 26, 1948, states as follows:

> An encouraging feature of the export drive is the way this industry has been able to expand its activities in the United States and Canada * * *
>
> Probably the most striking feature of the show was the use of color finishes; the export markets have always called for colored machines, and the brilliant hues displayed should satisfy their requirements. * * * There is little doubt that so long as the bicycle and motorcycle industries produce the types of machines exhibited at Earl's Court, no difficulty will be experienced in maintaining the present remarkable export figures.

So there is no inclination on their part of any reduction of exports.

Special favor is not sought by the American manufacturers. The Bicycle Institute of America does not desire that foreign-made bicycles be excluded from the American market, but does maintain that American producers should be permitted to compete in our own domestic market on terms at least equal to those of foreign manufacturers. It is obvious that the present low tariff does not even approximate the difference in labor rates paid here and abroad, so that foreign models could be offered here at prices which would ruin the American industry.

Now, the question is often raised, when we speak about wage rates, as to the relative productivity of labor in the United States and our competitive countries. But so far as the bicycle industry is concerned, the British plants are as well equipped as ours. They are the mass producers. They have excellent well-trained men, and in every respect are equal to our own best producers.

Furthermore, I think they have some advantages in their raw materials, particularly in rubber for the tires. The productivity of labor is pretty nearly equal, I would say, and yet their wage rates are very definitely lower than ours.

Senator MILLIKIN. How much, would you say?

Mr. COE. Well, there has been a tabulation made up on that, Senator, and it seems to me that their wage rates are not over a half; between 50 and 60 percent of ours. And with the other advantages they have, and with their mass production, there is every reason to believe they could produce a bicycle cheaper than we can, and that they are determined to get this market, which is the most favorable one to them. It is the highest priced market, and they need the dollar exchange.

So there is every reasonable indication that is what they are going to do.

Just how soon this situation may develop depends on the volume of foreign-made bicycles which are permitted to enter this market. The ruining of the United States industry through unlimited importation of foreign bicycles is a continuous threat hanging over our own manufacturers.

Ever since the initiation of the reciprocal trade agreements, repeated efforts have been made to find out why the duty on bicycles has been cut repeatedly, but representatives of the Department of State have refused to supply any information which might explain their action. Certainly interested parties should be entitled to know why tariff rates are reduced when such action jeopardizes the very life of the whole industry.

Under the policy of the Department of State, this information is known only to a select few who refuse to even discuss the circumstances which, in their judgment, justify such action.

The best way to dispel the fear of ultimate ruin is to provide some positive means of preventing such a situation.

By authorizing the Tariff Commission to establish peril points, below which it is dangerous to reduce tariffs without sacrificing some industry, warning signals would be set up and this information should be available to all interested individuals.

The so-called escape clause as heretofore administered has been of no practical value. It should be so worded as to make it function immediately, if the existence of the American industry is threatened under the arrangement prescribed by a trade agreement. If action under this procedure were made mandatory with provision for its immediate and effective enforcement, the most serious objections to the extension of the Reciprocal Trade Agreements Act would be removed.

We therefore earnestly request that in considering extension of the Trade Agreements Act, procedures be established which will not only permit the determining of peril points below which tariffs should not be reduced, but also provide direct and definite procedure for obtaining timely relief before serious damage has resulted.

The time for establishing such a procedure through congressional action is now, not only to help keep American industry strong, but as an incentive to foreign manufacturers to improve their conditions to more nearly approach those conventionally found in the United States.

I think if those things could be worked into the extension of the act, you gentlemen would find there would be very little general objection to the act itself. But it is that lack of any definite and positive means of relief that is the thing which is constantly hanging over us. There is little comfort, if you are sitting under an avalanche, and you see the catastrophe impending, to have somebody on the outside say, "Well, you are all right now. The sun is shining. You haven't been hurt"—when you know that if it ever breaks loose, you are going to be entirely wiped out. If some positive method could be developed by which under certain circumstances properly established by an investigation of the facts, there was a mandatory pro-

cedure, then I think there would be many industries that could go right ahead and plan their future and expect to develop in an orderly sort of way.

The CHAIRMAN. The escape clause could be invoked?

Mr. COE. Well, Senator, we have never invoked it.

The CHAIRMAN. I understand. But emergency steps could be taken.

Perhaps the difficulty is, in our present thinking about world conditions and about international obligations, that it is pretty difficult to get anybody here that will take the initiative, even if an emergency situation did exist in your industry, or did develop in your industry, which would call for it.

Mr. COE. I think you are right; there are so many other factors that weigh, there.

The CHAIRMAN. That is true. Of course, I suppose we all have to recognize that.

Senator CONNALLY. Mr. Chairman, I want to congratulate the witness on his clear and comprehensive treatment of this subject, within the narrow space of time. I think it has been very clear and very fine.

Mr. Chairman, I must be excused, because I must go to the floor.

The CHAIRMAN. I have to leave also. But, Senator Millikin, we would like for you to proceed with this witness at least, and call another one if you wish.

Senator MILLIKIN. You want me to have this witness and perhaps one more?

The CHAIRMAN. I would appreciate it, if it can be done. But if that cannot be done, you could take an adjournment, Senator, to, I would suggest, 1:30 or 2 o'clock; because that would give us all time to get to the floor and get back.

Senator MILLIKIN (presiding). I would like to invite your attention, Mr. Coe, to the fact that even if an escape is immediately taken which, we will say, would help the bicycle business, the foreign countries would at once take compensating escapes, which would necessarily injure other businesses.

Mr. COE. That is their privilege.

Senator MILLIKIN. So there is no over-all relief from taking any escape. The compensating escapes that will be taken restore the balance.

Mr. COE. Do you not think, Senator, that when the other countries all have taken advantage of these conpensating factors, it is about time that we did a little compensating ourselves?

Senator MILLIKIN. I am heartily in favor of it.

Mr. COE. Here is Canada, as I said before. Everything was lovely at Geneva. We reduced our rates, again, 50 percent to accommodate the foreign bicycle manufacturers. And then Canada, for their own protection, establishes a quota, which cuts us down to only 40 percent of our previous exports to that country. Why should we not have some similar arrangement that is mandatory, so that if a serious quantity of bicycles at low prices come in, which could be easily settled by an investigation by the Tariff Commission or any other body, if it got to the stage where it was seriously interfering with our prosperity and development, there could be a quota set up.

Now, who would retaliate? Well, they have already done their retaliating. And so far as bicycles are concerned, as a matter of fact, they could put any quota they please on, because our export business is a trifle in our total volume. Of course, they might retaliate by putting an embargo on something else.

Senator MILLIKIN. That is what I was speaking of a moment ago. Let us assume you take an escape on bicycles. The retaliatory escapes will redress the balance and bring you about where you were. Your business might be helped, but the other fellow's business is hurt.

Mr. COE. But don't you think, Senator, if that were in the law, in the regulations, it would be a deterrent to some extent to other nations not to go high, wide, and handsome with their currency and their embargoes and their quotas, and so forth?

Senator MILLIKIN. Of course, you are talking right down my alley there. I agree exactly with what you are talking about.

Mr. COE. If we had something that stood out to the world which said, "Gentlemen, under certain conditions, we will do thus and so," something that had teeth in it, it would be a very nice thing to have there, even if you didn't use it.

Senator MILLIKIN. We are not proceeding to protect American industry; the whole point is to make a deal, and then, as Senator Brewster points out, if it turns out really bad, to try to take an escape.

Senator BREWSTER. And conduct a post mortem.

Senator MILLIKIN. Yes; conduct a post mortem. And then, when you do that, if you succeed in making your escape you merely set up repercussions in other directions which overcome whatever advantage you get out of the escape.

Mr. COE. That is true. Unfortunately, that is the case. But the point I have in mind is that if it were definitely set out in the act, that if any of our industries are injured to that extent, quotas will be established, I don't think it would be necessary to establish them in many cases. Because, after all, we do hold the balance of power in a lot of those things.

Senator MILLIKIN. I do not want to discourage you unduly, but, in my opinion, there is not going to be anything of that kind enacted because the votes will not fall that way.

Senator BREWSTER. Your chief concern is over the future?

Mr. COE. That is right.

Senator BREWSTER. You have, up to the present, been able to carry on?

Mr. COE. That is right.

Senator BREWSTER. But you very much fear what may happen in the next few months?

Mr. COE. Well, you see, we have heard here, from 1946 on, no normal conditions.

Senator BREWSTER We realize that. Now, you spoke about $12 for, as I understood it, a Swiss bicycle.

Mr. COE. No; a bicycle sold in Switzerland, and made, I believe, in Czechoslovakia or Poland.

Senator BREWSTER. You anticipate those might be offered in this country?

Mr. COE. Very easily.

Senator BREWSTER. And you spoke about Japanese production. They are producing heavily?

Mr. COE. I don't know. I have written over there for a report. I couldn't get anything out of the State Department, and the Army wouldn't tell me anything.

Senator BREWSTER. You realize that you cannot get any relief under the escape clause until the imports actually arrive, do you?

Mr. COE. That is what I understand. And the experience of others seems to bear that out, that it is so long and delayed, that the remedy is of very little advantage.

Senator BREWSTER. Now, you spoke about your wage comparison. Do you have that available?

Mr. COE. It has been filed, I believe, with the House Ways and Means Committee, but I will be very glad to make available a copy for you.

Average hourly earnings in manufacturing (M) and industry (I), in specified countries, 1946–48

[Data procured from U. S. Tariff Commission]

Country	Date	In local money		Exchange rate at date [1]	United States dollars
		Unit	Earning or rate		
United States (M)	October 1948	Dollars			1.37
Canada (M)	July 1948	Cents	92.8	1.07	.87
Finland (men) (M)	December 1947	Markkas	86.17	136	.63
Denmark (M)	March 1948	Ore	271	481	.56
Sweden (men) (I)	1946	Krona	2.10	25.859 [2] cents	.54
Switzerland (men) (I)	October 1946	Francs	2.20	23.36 [2] cents	.51
United Kingdom (I)	October 1947	d	28.7	$4.03 [2]	.48
Belgium (men) (I)	March 1946	Francs	14.40	2.28 [2] cents	.33
Germany (M)	March 1948	Reichsmark	.97	30 [2] cents	.29
Italy (men, qualified, representative) (I).	1948	Lire	156	575	.27
Czechoslovakia (M)	June 1948	Koruna	10.92	50.15	[3] .22
France:					
Paris (men) (M)	April 1948	Francs	79.50	313.07	[3] .24
Other towns (men) (M)	do	do	63.07	313.07	[3] .20
Japan (men) (M)	August 1948	Yen	24	270 [4]	.09

[1] Units of national currency per United States dollar.
[2] Value of national currency in United States currency.
[3] Hourly wage rate.
[4] From Federal Reserve Board.

Sources: Belgium, Sweden, Switzerland: U. S. Bureau of Labor Statistics, Wage Trends and Wage Policies: Various Foreign Countries, Washington, 1948. Italy: Supplemento straordinario alla Gazzetta Ufficiale, n. 224, del. 25 Settembre, 1948. Japan: SCAP, Japanese Economic Statistics, October 1948. Other: United Nations, Monthly Bulletin of Statistics, November 1948.

Senator BREWSTER. Do you remember what it was, approximately?

Mr. COE. I think their wage rate was about 60 percent of ours.

Senator BREWSTER. Do you know what you pay?

Mr. COE. Yes, we are paying $1.60.

Senator BREWSTER. That is for an 8-hour day?

Mr. COE. An 8-hour day. Yes, sir. And I think theirs was under a dollar, as I remember it.

Senator BREWSTER. I think you will probably find it is very considerably under that.

Mr. COE. I was speaking of the mechanical arts trades.

Senator BREWSTER. I was in the Vickers works in London last fall, and their highest-paid mechanics were getting around $30 a week. And they were the trained airplane mechanics, and I would imagine that your bicycle people were getting much more.

Mr. COE. No, they are not. That would be comparable.

Senator BREWSTER. That was all on piece labor. Are your arrangements on a piece basis?

Mr. COE. No, very little piece work in our shops.

Senator BREWSTER. I was amazed to find that in the Vickers works practically all the production on the airplanes was on a piece basis; which I presume has a very material bearing on their costs.

Mr. COE. It should have. It keeps their costs down.

Senator BREWSTER. So that has all to be taken into account.

Mr. COE. It would tend to keep their costs down, and also their wages up.

Senator BREWSTER. And this is one particular field where the mass-production argument is on the other side, and the shoe is on the other foot.

Mr. COE. That is right.

Senator BREWSTER. Anyone traveling over in England will readily appreciate that they have about 100 bicycles to every automobile.

Mr. COE. That is right.

Senator BREWSTER. So that while it is not as complex a vehicle, they have refined production to assembly lines, I assume.

Mr. COE. Yes, it is very well handled, and well organized.

Senator BREWSTER. You spoke about the advantage on rubber. What did you mean by that?

Mr. COE. Well, is there not some advantage that the British have with the rubber producers? As I understood it, there was some differential there.

Senator BREWSTER. The British and the Dutch, of course, have controlled the natural rubber market of the world, and held us up before the Second World War to a point where Jesse Jones was practically ready to become an isolationist, because of their attitude in the matter of rubber. And that control is very rapidly being reestablished. That is incident to this whole Dutch East Indies trouble. That is the question under it.

Mr. COE. That is right.

Senator BREWSTER. We have the same thing in the world situation also, where a somewhat similar situation prevails.

That is all I have.

Senator MILLIKIN. Thank you very much, Mr. Coe.

Mr. COE. Thank you, gentlemen.

Senator MILLIKIN. Mr. Richard H. Anthony, please.

Will you identify yourself for the reporter, please?

STATEMENT OF RICHARD H. ANTHONY, SECRETARY, AMERICAN TARIFF LEAGUE, NEW YORK, N. Y.

Mr. ANTHONY. My name is Richard H. Anthony, and I am secretary of the American Tariff League, with headquarters in New York City, sir.

Senator MILLIKIN. Have you a prepared statement?

Mr. ANTHONY. Yes, sir.

On behalf of the American Tariff League, I appeared before the House Ways and Means Committee on January 27, and urged that the pending bill, H. R. 1211, be amended, so as to continue the current role of the United States Tariff Commission as "peril point" determinant

in preliminaries to trade agreement negotiations. I shall not repeat here the arguments made then, but will briefly supplement them.

Senator MILLIKIN. Will you tell us something about the American Tariff League, please, so that we may have some idea as to its membership?

Mr. ANTHONY. The American Tariff League is an organization that represents various segments of industry, agriculture, and labor. About 80 different divisions are represented, and our membership runs above 300.

Senator MILLIKIN. Pretty well scattered over the country?

Mr. ANTHONY. Pretty well scattered all over the country, Senator; yes.

Senator MILLIKIN. Limited mostly to producers?

Mr. ANTHONY. Yes, to producers. Of course, these producers import raw and semifinished materials, and they also in some instances export.

Senator MILLIKIN. Proceed, please.

Mr. ANTHONY. Within 2 weeks, if the pending bill, H. R. 1211, shall not have passed, the United States Tariff Commission will advise the President what are the so-called "peril points" on approximately 350 dutiable items which are to be the subject of negotiation among 25 countries at Annecy, France, on April 11. It will have been the first time since the trade agreements program began in 1934, that the Tariff Commission, as a commission, has advised the President as to the extent reductions could be made in duties without causing or threatening injury to domestic producers affected thereby. To put it another way, for the first time since the program began, the American producer will have had the confidence that a qualified body of experts had objectively appraised his position in regard to a proposed reduction in the tariffs on his product.

Let us assume that for some reason the passage of the pending bill should be delayed beyond March 5. Would the United States be able to go ahead with the Annecy negotiations? Would the President and his negotiators be free to agree to duty cuts lower than the "peril points"? Would the President be free to put into effect any duties reduced below the "peril points"? The answer to all three questions is "yes."

What, then, is the reason for this importunate haste on the part of the sponsors of H. R. 1211 to derail the Tariff Commission before the deadline for its first "peril point" determinations?

I think we can find our answer in the testimony of Assistant Secretary of State Willard L. Thorp before the House Ways and Means Committee on January 24. He said that under the act which the President has requested—and that is H. R. 1211—"every officer concerned will be mindful of the need to safeguard the American economy, but, at the same time, we shall have a clear mandate to broaden the bases of United States foreign trade, to create purchasing power for American exports, and to guide the economy as a whole into the most productive lines possible."

That sounds to us like an ominous request for the power to exterminate such agricultural and industrial enterprises as are producing along lines considered inadvisable by the State Department. It is a threat of injury to American producers in general which the admin-

istrators of the Trade Agreements Act apparently intend to particularize in forthcoming negotiations. They appear not to want the Tariff Commission to file any advance warning of the results of their proposed actions.

Thus we enter the second phase of the trade-agreements program. During the first phase we were given assurances that no important, efficient American producers would be injured. The extent of duty reductions was then 50 percent of the rates in effect in 1934. In 1945 the base rates were changed to those in effect on January 1 of that year, and thus subsequent reductions were allowed to be compounded on earlier ones to a maximum of 75 percent of the 1934 rates.

As we approach this maximum the chances of potential injury naturally increase, and so we are no longer told that no one will be injured. The little safety signals that were written into the 1948 Extension Act are now to be uprooted and you are asked to deliver to the State Department a mandate to injure, if injury furthers its economic plans.

A mandate, you may say, only to the extent of 50 percent of the 1945 rates. We are not even to be granted that consolation for very long.

H. R. 1211 would extend the Trade Agreements Act to June 12, 1951, 2 years from now. Dr. John Lee Coulter, who earlier today testified here, testifying before the House Ways and Means Committee, declared that the reason for the short extension apparently was to permit a new base rate to be written into the act in 1951. His recognition of this motive was confirmed in a New York Times article of January 27, 1949, by John D. Morris, which said:

> * * * it was learned from administration sources that it was a principal consideration in the decision to seek a renewal only until 1951.

In a later article, also by Mr. Morris, on February 10, 1949, the New York Times said, in part:

> The bill, H. R. 1211, limits tariff reductions to a range of 50 percent of 1945 levels, but this may be relaxed when the law comes up for extension in 1951.

Thus we have the prospect of reductions of duties down to 12½ percent of 1934 rates, and that becomes virtually indistinguishable from free trade. As we head toward the vanishing point in our tariff structure, the chances of injury grow ever more certain. Now, if ever, would seem to be the time for the Congress to insist that the executive branch give heed to "peril point" warnings. If Congress does not so insist we can only conclude that it is no longer concerned whether the delegation of its constitutional tariff-setting responsibilities results in injury to domestic producers, in unemployment of workers, and in loss of capital investment.

When we read that such injury is a calculated risk that must be ventured in the interest of the larger purposes of the Trade Agreements Act, we believe it reasonable to examine those purposes and to ask how near they have been approached in the 16-year history of the act.

One of the principal purposes claimed for the trade agreements program is that it reduces barriers to trade on a reciprocal basis. The United States is pictured as trading away its tariffs to induce other countries to lower their tariffs and restrictions of trade. At the Ways and Means Committee hearings I pointed out that while we have drastically reduced our tariffs, other nations have built up a formidable array of restrictions and controls. I was asked by the committee to

furnish as many examples as possible of such restrictions for their record. This proved to be such a considerable task that the list could not be finished before their hearings were completed and the record went to press. Therefore, I offer here, and respectfully request that it be included as part of my present testimony, our compilation entitled "International Trade Restrictions and Controls Put Into Operation by Various Listed Foreign Nations."

Senator MILLIKIN. It will be entered into the record.

(The compilation referred to is as follows:)

INTERNATIONAL TRADE RESTRICTIONS AND CONTROLS PUT INTO OPERATION BY VARIOUS LISTED FOREIGN NATIONS

(Compiled from reports coming to the attention of the American Tariff League in the 6-month period prior to date, with background information supplied in some instances)

The various measures hereafter listed are considered to be restrictive in the sense that they tend to diminish or retard the movement of trade to and from the countries involved. In our opinion, it is not possible to apply the word "restrictive" in any absolute sense. One form of trade control may be more "restrictive" than another. The so-called restrictions may not, in the widest sense, be actually hampering to total world trade. In the absence of many controls, maladjustments might become so acute as to result in a more restricted world trade than exists in their presence.

Most so-called restrictions are instituted, not from ill-will on the part of the countries imposing them, but because of the necessity of achieving a balance of payments as between exports and imports, or of conserving certain currencies, or of fostering or safeguarding elements in domestic economies.

For these reasons, the list is not offered in criticism of the actions of the countries involved. Rather, it is offered to show that trade controls are today so prevalent as to constitute the rule rather than the exception, and that any foreign trade policy in the United States which attempts to force other countries to relinquish their controls is therefore more idealistic than realistic.

Also appended is a list of bilateral agreements between sets of foreign nations, which have come to our notice in the 6-month period prior to date. While these agreements, in our opinion, foster rather than restrict trade, it is the current policy of the United States Government to consider them as "restrictive" in the sense of being discriminatory, because they run counter to the multilateral approach to trade currently favored by the United States State Department. Most of these agreements provide for trade in stipulated commodities. Some are barter agreements.

It is to be understood that neither list is offered as complete for the period studied either as to the number of countries employing restrictions and bilateral agreements, or as to the numbers and kinds of measures adopted in the countries herein discussed. In the list of restrictions, measures adopted by the United States and the occupied areas of Germany and Japan are omitted.

In the lists, sources are identified either by the full name of the publication or by one of the following explained code symbols:

FCW—Foreign Commerce Weekly, published by the Office of International Trade, United States Department of Commerce.

SD—Release of the United States Department of State, in each instance numbered and dated.

NCB—Monthly letters on economic conditions and Government finance, issued by the National City Bank of New York.

AIEB—American Import and Export Bulletin, published monthly in New York, N. Y.

THE BRITISH COMMONWEALTH OF NATIONS

Continuance of the preference system, whereby the territories listed immediately hereafter accord one another lower rates of duty on various commodities than are accorded other territories, is specifically reserved under article I (2) of the General Agreement on Tariffs and Trade (GATT): "United Kingdom of Great Britain and Northern Ireland; dependent territories of the United Kingdom of

Great Britain and Northern Ireland; Canada; Commonwealth of Australia; dependent territories of the Commonwealth of Australia; New Zealand; dependent territories of New Zealand; Union of South Africa, including South West Africa; Ireland; India (as on April 10, 1947); Newfoundland; Southern Rhodesia; Burma; Ceylon.

Individual territory controls

United Kingdom.—British controls on trade appear to stem from the wartime import of goods (control) order of 1940, and amendments thereto, under which no goods can be imported into the United Kingdom except by authority of a license granted by the Board of Trade (FCW, September 4, 1948, p. 29).

Following the war United Kingdom possessed a limited amount of United States dollars and continued to restrict imports from the United States as well as to limit the convertibility of sterling into dollars, in order to conserve her dollar funds. The Anglo-American financial agreement of July 15, 1946, whereby dollar credits of 3.75 billion dollars were established for Britain, placed her under obligation to restore the free convertibility into dollars and other currencies of all sterling exchange arising from current transactions after July 15, 1947.

Withdrawals under the Anglo-American credit were made at a more rapid rate than anticipated, 1.65 billion dollars having been withdrawn through June 30, 1947. As soon as free convertibility was permitted beginning July 15, 1947, withdrawals increased alarmingly and Britain was forced on August 20, 1947 to limit sterling convertibility and to tighten restrictions on imports (NCB, September 19, 1947, p. 99 et seq.).

Britain was not expected, under the Anglo-American agreement, to abolish her British exchange control, whereby she regulates the movement of capital in and out of the country, nor did it prohibit her from continuing to control imports and exports, although she was expected not to discriminate among sources of imports (NCB, July, 1947, p. 83). However, her preference system, as above described, is discriminatory and the state trading practices she has established for some commodities tend to discriminate as to sources.

Thus the United Kingdom may be said to maintain a strict export and import-licensing and control system, combined with exchange control, as well as quotas and embargoes on a wide number of import and export commodities, subject to changes from time to time, but under direct state supervision, and integrated with internal production, rationing and distribution controls.

Canada.—On the day (November 17, 1947) announcement was made of the provisions of GATT, the United States Department of State issued the text of two memoranda on the part of Canada and the United States, whereby Canada announced she was forced "to curtail imports immediately" to conserve United States dollars (SD No. 912, November 17, 1947). An extensive list of imports from the United States was placed under embargo or quantitative restrictions, effective November 18, 1947. Canadian Import Restrictions, published by the Office of International Trade, United States Department of Commerce, November 19, 1947.

The State Department declared that Canadian action was permissible under article XII of GATT, as an imposition of quantitative restrictions to safeguard a country's external financial position and balance of international payments (SD No. 912, November 17, 1947).

The Canadian import control system has continued, with some changes and some relaxations. While Canadian exports to the United States increased in early 1948 over a similar period in 1947, United States exports to Canada declined, "under the restraining influence of the exchange controls" (FCW, July 31, 1948, p. 16).

Australia.—The current basis for Australian import restrictions on imports from the United States is the setting of quotas on imports from dollar currency areas for the fiscal year 1948–49, made July 1, 1948, with a continuation of an import licensing policy (FCW, July 17, 1948, p. 15).

The quota for 1948–49 is described as an "irreducible minimum." Import licenses are being issued only for one quarter ahead. Foreign investment in Australian enterprises is discouraged unless it represents a minority interest, with the majority interest held in Australia (FCW, September 11, 1948, p. 10).

New Zealand.—Import licensing schedules for 1949 are in operation. Licenses for imports from dollar currency areas are granted only for absolutely essential commodities not procurable from sterling sources. Stricter controls are contemplated (FCW, December 13, 1948, p. 28).

Union of South Africa.—On November 4, 1948, the Union reimposed a comprehensive system of import controls, declared necessary because of a steady drain on her gold reserves. Imports of certain listed "nonessential" goods are prohibited, regardless of country of origin. As to other goods, foreign exchange will be rationed for imports from nonsterling countries (FCW, November 22, 1948, p. 48; December 6, 1948, p. 28). The Union has notified GATT of the need to impose special import curbs (New York Times, December 22, 1948).

India.—Increased import duties on a number of commodities and extension of the import licensing system were announced at the beginning of 1949 (FCW, January 10, 1949, p. 19; December 13, 1948, p. 25). Licensing treatment of commodities differs with regard to the various currency areas. Few items from the United States are licensed liberally. Comparatively liberal treatment is accorded imports from sterling and soft-currency areas (FCW, September 4, 1948, p. 21). Three categories established: (1) licensed liberally; (2) licensed subject to monetary ceiling; (3) not licensed at all. Hard-currency allocations are in operation in agreement with the United Kingdom (FCW, August 21, 1948, p. 22).

Pakistan.—Pakistan appears also to be operating under hard-currency allocations in agreement with United Kingdom. Import licensing, export quotas, and export taxes are noted as controls in effect (FCW, January 24, 1949; January 3, 1939; December 20, 1948). Much the same system of import-license determination appears to govern as in India (FCW, July 17, 1948, p. 21). The partition of India took place during the GATT negotiations, at which India acted on Pakistan's behalf. Afterward Pakistan became convinced that the concessions granted on her behalf were not in balance with those received, and she has requested renegotiation on six items (SD No. 825, October 11, 1948).

Southern Rhodesia.—Strict licensing and exchange requirements were originally imposed in September 1947 on imports from the United States and subsequently were extended to include virtually all hard-currency areas. Import duties have been increased on various consumer goods (FCW, November 8, 1947; May 22, 1948; August 28, 1948; September 18, 1948).

Ceylon.—What are described as "more stringent exchange-control regulations and extension of such controls to all sterling areas as well as to the dollar area" were imposed June 1, 1948. At the same time an agreement with United Kingdom became effective under which arrangements were made to conserve earnings of foreign exchange and to control expenditures of money on foreign transactions so that the value of Ceylon imports will not exceed the value of its exports (FCW, July 17, 1948, p. 16). Ceylon signed the protocol of provisional application of GATT on June 29, 1948, but qualified its signature by indicating that because of special difficulties facing the country it could not give effect to many of the tariff concessions it granted. The GATT contracting parties at their second session considered that such a reservation came within the nullification or impairment provision—article XXIII of GATT—and Ceylon agreed to renegotiate the concessions (SD No. 825, October 11, 1948).

Anglo-Egyptian Sudan.—Export royalties on certain commodities imposed as of January 15, 1949 (FCW, December 13, 1948, p. 11).

British colonies

The increasing dollar difficulties of United Kingdom have been reflected in the various British colonies by a general tightening of colonial import control regulations, which are designed to restrict to the greatest possible extent imports from all sources, including United Kingdom. Colonial governments have also been encouraged to increase the production in colonies of dollar-saving or dollar-earning commodities (FCW, Feb. 7, 1948, p. 11).

In addition to the above general situation, the following particular actions have been noted:

British Guiana.—The period of validity of import licenses was cut from 1 year to 7 months (FCW, Sept. 15, 1948, p. 19). New quotas for importation of certain products from hard-currency sources were set (FCW, Jan. 10, 1949, p. 11).

British West Indies.—Increasingly stringent measures to limit imports from hard-currency areas were noted (FCW, Oct. 23, 1948, p. 16).

Hong Kong.—The Government requires the surrender of foreign-exchange proceeds, at official rates, arising from exports to the United States, with certain exceptions (FCW, Oct. 2, 1948, p. 26).

FRANCE AND FRENCH EMPIRE TERRITORIES

The preferences which the territories within the French Empire, listed hereafter, accord one another, are reserved under article I (2) of GATT: France; French Equatorial Africa (Treaty Basin of the Congo and other territories); French West Africa; Cameroons under French mandate; French Somali coast and dependendencies; French establishments in India; French establishments in Oceania; French establishments in the condominium of the New Hebrides; Guadeloupe and Dependencies; French Guiana; Indochina; Madagascar and dependencies; Morocco (French zone); Martinique; New Caldonia and dependencies; Reunion; Saint-Pierre and Miquelon; Togo under French mandate; Tunisia.

Individual territory controls

France.—The French franc was devalued on January 25, 1948, in order to increase French exports and as part of a comprehensive program to stabilize the French economy. The French Government decided upon a "multiple currency system" (NCB, Feb. 1948, pp. 18–21).

Official rates were to be used for (1) payments to French exporters for half of the export proceeds, which the exporters are required to sell to the exchange control; and (2) payments by French importers for goods designated by the French authorities as "essential." All other transactions in the United States dollars and Portuguese escudos, and later in other currencies, were to be carried out at rates determined in a free market.

France, on October 17, 1948, revised the rates of exchange between the French franc and soft currencies not traded on the so-called free market, which action, in effect, further devalued the franc by about 22 percent, as to those currencies. The devaluation was expected to increase the franc cost of much foreign merchandise, and thus tend to raise the French internal price level (FCW Oct. 30, 1948, p. 17).

All French imports payable in currencies negotiated on the free market must be paid for with exchange purchased half from the exchange stabilization fund at rates used by it and half on the free market, effective October 18, 1948 (FCW, Nov. 22, 1948).

Import licenses carry with them the right to foreign exchange. All merchandise requires an import license (FCW, July 17, 1948, p. 19).

On December 2, 1948, a new list of products for which import licenses may be obtained in France under the "import-without-exchange" system, replaces the one issued February 13, 1948 (FCW, January 17, 1949, p. 19).

Import duties which had been suspended since July 8, 1944, were restored on a limited list of products by orders of December 26, 1947; April 22, 1948; and October 16, 1948 (FCW, December 20, 1948, p. 17).

The order of October 16, 1948, restoring import duties was made applicable to imports entering Guadeloupe, Martinique, and French Guiana (FCW, January 3, 1949, p. 20).

Tunisia.—On August 1, 1948, a transaction tax on imports, exports, certain internal services, sales, and local production was established (FCW, December 13, 1948, p. 21).

French West Africa.—Morocco established on January 1, 1949, a new regulation limiting import licenses to 10 commodity groups. It was "expected to reduce American exports to French Morocco substantially * * *" (N. Y. Journal of Commerce, January 11, 1949).

Madagascar.—All goods exported from Madagascar and Comoro Islands, except those to France and French territories, are subject to export licenses and to the turning over to the exchange office of the foreign currency realized from the sale of the goods (FCW, November 15, 1948, p. 23). The exportation of fodder from Madagascar was prohibited on October 11, 1947 (FCW, January 24, 1949, p. 21).

Effective September 4, 1948, the export tax on vanilla beans was increased from 21 to 40 percent ad valorem. New minimum prices were established for Bourbon vanilla exported to any destination except France (FCW, October 23, 1948, p. 29).

On July 1, 1948, a new procedure for allocating import licenses was established. Two committees were formed: (1) To control imports from foreign countries which necessitate the granting of an import license and an outlay of foreign exchange; and (2) to have jurisdiction over import licenses for goods furnished under quota by France and territories of the French Union. Foreign

exchange allocation by Paris and Madagascar will apparently determine the licensing limits (FCW, August 14, 1948. p. 20).

French Indochina.—On June 9, 1948, an Indochinese Rice and Maize Committee was formed to control cereal exports under a permit system (FCW, August 14, 1948, p. 18).

BENELUX CUSTOMS UNION

Belgium, Luxemburg, and the Netherlands organized the Benelux Customs Union, which became effective January 1, 1948. Previously Belgium and Luxemburg were joined in a customs union. In general, there is a common tariff schedule on imports into the territory of the union from other countries and an abolition of import duties on commodities originating in any of the three countries.

The tariff schedule, however, is in two columns, a "general" tariff applicable generally to countries outside the union, and a "maximum" tariff applicable to countries which treat the Benelux members "less favorably than other countries, or in a manner contrary to their vital interests." "Maximum" rates are double "general" rates, with the lowest 10 percent ad valorem. Duty-free goods in the general tariff are subject to an entrance tax of 10 percent ad valorem when imported from maximum tariff countries.

Prior to the formation of the union, the Belgian-Luxemburg specific duties were generally higher than the ad valorem Netherlands rates. The Benelux rates, chiefly on an ad valorem basis, are said, in general, to be higher than the Netherlands and lower than the Belgo-Luxemburg rates which prevailed before the war, but are actually "higher than the present (1947) ad valorem equivalents of (Belgo-Luxemburg) specific rates, because of the great increase in unit prices since 1939."

It is reported that "the Benelux tariff is more protectionist than the Netherlands tariff, and that it apparently is not less protectionist than the Belgo-Luxemburg tariff."

Goods traffic between members of the union, although supposedly free, is actually subject to various fees and taxes, as well as to licensing requirements, foreign exchange controls and quota restrictions. The Netherlands is permitted a number of escapes and its Government "is enabled to regulate the entire foreign trade of the country * * * without * * * parliamentary approval."

(All the foregoing, including quotations, from FCW, October 11, 1947, p. 3 et seq.)

Benelux has made upward adjustments in its duties. Most recent examples are increased rates on wines and the reimposition of duties on certain types of sugar, as well as complementary duties on certain commodities containing sugar (FCW, November 15, 1948, p. 14).

Certain duties which the Netherlands suspended when Benelux became effective, were reimposed as of June 1, 1948 (FCW, July 31, 1948, p. 23).

EUROPE

Austria.—Under Austrian import licensing and exchange regulations, an import license carries with it the right to foreign exchange, but a separate application for the exchange permit must be made after the import license is granted (FCW, July 24, 1948, p. 21).

Czechoslovakia.—From January 1, 1948, all Czechoslovakian foreign trade and international forwarding was reserved exclusively to such companies or organizations designated by the Ministry of Foreign Trade which regulates all forms of import and export trade, and determines which foreign trade or international forwarding concerns are to be nationalized. Czechoslovakian official trade publications declare that the action "is founded on the principle that foreign trade is a Government monopoly * * *" (FCW, September 4, 1948, p. 19).

On September 1, 1948, six state monopoly trading companies began operations to handle transactions in chemicals, glass, ceramics, textiles, hops, and oil raw materials. The new organizations have the form of joint stock companies, each with a general manager who is responsible to the Ministry of Foreign Trade and the Ministry of Finance for its operations and the fulfillment of allotted plans (FCW, October 2, 1948, p. 22; November 15, 1948, p. 18).

Denmark.—Under Danish import-licensing and exchange regulations, all import licenses carry the right to foreign exchange. Import licenses are required for all imports of merchandise (FCW, July 31, 1948, p. 20).

Finland.—Import licenses carry the right to foreign exchange if the amount required is stated in the application (FCW, July 31, 1948, p. 20).

Greece.—The licensing of imports from the United States, suspended in September 1948, was later resumed on a small scale (FCW, November 15, 1948, p. 20). Import licenses carry the right to foreign exchange and are issued only for essential products. A so-called negative list of products exists for which no licenses are obtainable. Payments for imports are required at the official rate of exchange and importers must deliver to the bank for cancellation exchange certificates of a face value equal to the amount of the letter of credit involved. These certificates must be purchased by importers at their current market value (FCW, July 24, 1948, p. 27). Import licenses on certain products are issued only to the exclusive sales representatives of the foreign supplier (FCW, September 18, 1948, p. 21).

Ireland (Eire).—Announcements of impositions of duties, quotas, and import licensing restrictions on various commodities over a period of 6 months indicate an extensive and increasingly restrictive control over Ireland's import trade (FCW, 1948: July 31, August 14, September 18, October 2, October 9, November 15, November 22, December 20; also January 3, 1949).

Italy.—Revisions of list A consisting of goods importable into Italy from the United States and other free-currency countries merely upon the presentation to Italian customs officials of a bank "benestare," indicate a tightening of import restrictions (FCW, January 31, 1948, p. 21; August 28, 1948, p. 23).

Italy's multiple currency system is basically similar to those adopted by France and various Latin-American countries (NCB, February 1948, p. 19).

Norway.—Under current Norwegian import-licensing and exchange regulations, import licenses do not carry the right to foreign exchange, the importer having to obtain a separate exchange permit from the Bank of Norway (FCW, August 21, 1948, p. 24).

Poland.—Four Government enterprises have been established to plan and administer the purchase and sale, both domestic and foreign, of all products of the leather, electro-technical, chemical, and fish industries, under an order of the Minister of Industry and Commerce. The organizations will fix prices for the commodities which they are to handle (FCW, October 30, 1948, p. 24).

Portugal.—The Portuguese exchange-control authorities issued a list in September 1948, of "second-priority" goods which may be imported within the limits of the monthly dollar exchange availabilities. Licenses for both first- and second-priority items are to be granted within the limits of a global dollar-exchange quota to be fixed monthly by the Minister of Finance. First priority list was issued in July 1948 (FCW, August 7, 1948, p. 23; September 4, 1948, pp. 25–26).

Under the long-time Portuguese import licensing and exchange regulations, revised on February 9, 1948, all import licenses carry the right to foreign exchange. The import controls are described as designed "to conserve Portugal's reserves of dollar exchange for the purchase of supplies essential to the national economy. * * * Many imports from the United States not considered to be essential are being denied licenses (FCW, July 17, 1948, p. 23).

Rumania.—Organization of a Ministry of Trade, was announced May 6, 1948, to supervise fixing of prices, wages, and fees as well as "foreign-trade relations of the country either directly between States, or through nationalized export and import corporations and privately owned export and import enterprises." Establishment of the Ministry has brought "practically all of Rumania's domestic and foreign trade under state control not only with regard to business transactions, but also regarding planning, procurement, and distribution of merchandise within the country and abroad."

Special units within the Ministry supervise export and import procedures including export and import planning, fixing of customs rates, quality specification for export goods, and promotion and control of exports and imports. Two directorates control foreign affairs including one which supervises the preparation and conclusion of trade and payments agreements and regulates the activities of foreign trade agents (FCW, January 24, 1949, p. 26).

A new method of calculating certain taxes on imports was put into effect on January 9, 1948. The ad valorem luxuary tax, turn-over tax, ad valorem fee of 16 percent, and extraordinary tax of 12 percent on specified commodities, which are assessed in a single combined rate upon importation, are to be calculated according to the purchase price stated in the import license in foreign currency, converted into lei by applying a fixed exchange rate (FCW, November 22, 1948, p. 23).

Spain.—Under Spanish import-licensing procedures the Ministry of Industry and Commerce, upon application of the importer issues an import license. If granted, the importer then applies to the Foreign Exchange Institute for dollar exchange. Several payment terms are allowed under which import permits are granted (FCW, September 18, 1948, p. 26).

Spanish control of foreign exchange has become progressively more complicated. In the case of dollars, imports with "freely granted" exchange have disappeared almost entirely, except for petroleum products. Most other transactions were being carried out on a basis of "combined accounts" or "deferred payment" (FCW, October 9, 1948, p. 19).

Special exchange rates, applicable to import and export transactions of special products, were announced by the Foreign Exchange Institute on December 17, 1948, as authorized by the Ministry of Industry and Commerce on December 12, 1948 (FCW, January 24, 1949, p. 27; January 3, 1949, p. 26).

Spain devalued its peseta with respect to a wide list of imported goods on December 23, 1948. The specified products are said to compete with domestic items and their importation into Spain is regarded as nonessential (New York Journal of Commerce, December 22, 1948).

Sweden.—Discussions were held in the spring of 1948 between the United States and Sweden with respect to Sweden's need to prevent further losses of gold and foreign exchange holdings caused by the reported substantial deficit in Sweden's trade with hard currency areas.

"The drastic reduction of Sweden's holdings of hard currencies since the close of the war necessitated temporary modifications of the quantitative and nondiscriminatory commitments of the trade agreement of 1935 between the two countries. Understandings regarding such modifications for the period ending June 30, 1948, were reached on June 24, 1947, and February 11, 1948" (SD No. 519, June 28, 1948).

In an exchange of memoranda dated June 12, 1948, the United States agreed to allow Sweden to continue taking those measures to correct its imbalance of trade and to conserve its foreign exchange. The import restrictions imposed by Sweden were permitted to continue until June 30, 1949 (SD No. 519, June 28, 1948).

On December 3, 1948, the Swedish Government announced its import plan for the calendar year of 1949 limiting total imports from all sources as well as those from dollar areas. The new import plan may be subject to revision by quotas to be set at a later date in bilateral agreements covering the exchange of goods and by changes in prices obtained for exports (FCW, January 3, 1949, p. 26).

Turkey.—Authority to fix minimum export prices on olive oil, poppy-seed oil, and oily residue from the processing of olive oil was delegated to the Vegetable Oil Exporters Union. This authority was previously exercised by the Ministry of Commerce (FCW, November 15, 1948, p. 48).

LATIN AMERICA

Argentina.—Argentina has an extensive system of foreign-trade control under the direction of its National Economic Council. There have been 10 different legal rates of exchange, including those applying to various categories of imports. Imports have been limited to essentials (New York Times, February 2, 1949).

Argentina has attempted to get higher than world prices on her agricultural products. Her chief concern has been to protect her hard currencies (New York Journal of Commerce, February 2, 1949).

On February 1, 1949, Argentina suspended all exchange permits and brought its import trade to a standstill (New York Times and New York Journal of Commerce, February 2, 1949).

Extensive changes were made June 23, 1948, when Argentina published a list of articles which might be imported freely from certain European and South American countries, and another, much shorter, list of essential items which might be imported from the United States and other countries, only after prior study and approved by the central bank. Imports were to be limited to goods on these lists save in exceptional cases. At the same time the free-market exchange rate was altered in such a way as to devalue the peso by about 20 percent, and the rates at which foreign currency could legally be sold in Argentina were subjected to regulation. Export and import quotas are noted (FCW, August 14, 1948, p. 12. Also FCW, January 10, 1949; October 23, 1948; September 4, 1948; August 21, 1948).

Bolivia.—Bolivia has tried to gear the issuance of import permits to the foreign exchange created by current exports (NCB, August 1947, p. 94; September

1948, p. 105). Import licensing and foreign exchange allocations are part of the program (FCW, October 23, 1948, p. 15). A certain percentage of exchange derived from exports is apparently retained by the Government. On tin, this percentage was increased from 60 to 63 percent on July 1, 1948, and the surtax for the differential of exchange on tin exports increased from 120 to 500 percent. This resulted in an increase from 1 cent per pound of tin to about 4.5 cents per pound (FCW, August 14, 1948, p. 13).

Brazil.—The basic law of February 25, 1948, placed imports and exports under prior license. Regulations thereunder exempted same goods. There are two categories for imports, essential articles, and all others. There are three exchange classifications: 75 percent of available exchange is allocated to commodities not requiring a license and to category A goods, 20 percent to B, and 5 percent to C. An essential article is not necesarily placed in category A for exchange allocation. Import quotas are established in some instances.

All exports require license. There are restrictions on the export of goods exceeding a percentage of quantities consumed or industrialized the preceding year (FCW, April 24, 1948, p. 10).

It was noted that Brazil's import trade took a continuous downward trend under the above regulations (FCW, September 25, 1948, p. 18).

The import licensing policy is based upon percentages of past consumption with percentages ranging from 25 to 75 percent (FCW, January 10, 1949, p. 9). Effective November 17, 1948, banks were required to surrender to the Bank of Brazil 75 percent of their acquisitions of hard currency exchange (FCW, December 6, 1948, p. 15).

An embargo on the importation of wheat flour was published January 7, 1949 (FCW, January 24, 1949, p. 14).

Brazil ratified GATT, but at the same time increased, up to 40 percent, most of the nonagreement items in her tariff (FCW, August 14, 1948, p. 14). She also sought and obtained permission to increase duties on certain of her GATT concessions, pending negotiations (SD No. 825, October 11, 1948).

Chile.—A shortage of United States dollars prompted Chile to institute a combination import permit and exchange allocation system (NCB, August 1947, p. 94; September 1948, p. 105). Although Chile was one of the GATT contracting parties she has so far not ratified the agreement.

Customs duties are stated in gold pesos, but collected in paper pesos at a fixed ratio to gold. There is a paper peso surcharge imposed not only on gold peso duties, but on warehouse fees and other charges collected by customs on goods purchased at the banking rate of exchange. This surcharge was increased from 540 to 790 percent, effective October 11, 1948, and covered about three-fourths of the Chilean customs tariff. An import sales tax of 13 percent, import tax of 5 percent, and a luxury tax of 20 percent are assessed on duty-paid goods to which they apply (FCW, Nov. 22, 1948, p. 14).

Colombia.—All imports were reclassified as to the essentiality into three groups on May 21, 1948. Group I, the preferential category was expected to consume 80 percent of available exchange, group II getting almost all the balance, with little left for group III (FCW, July 3, 1948, p. 17). Exchange taxes of 10, 16, and 26 percent additional on imports in groups I, II, and III, respectively, were assessed on duty-paid goods (FCW, Aug. 28, 1948, p. 18).

The Office of Control of Exchange, Imports, and Exports announced exchange quotas for various kinds of goods in August 1948, based on individual importer averages for 1946 and 1947, but with over-all limitations (FCW, Oct. 9, 1948, p. 14).

On December 18, 1948, the peso was devalued 11 percent. It was noted that purchases of foreign exchange to pay for imports were still subject to a stamp tax of 4 percent, and, in addition, such exchange is subject to a 6-percent tax on group I imports; 12 percent for group II, and 26 percent for group III, which reduces the tax on groups I and II by the amount of the stamp tax (FCW, Jan. 10, 1949, p. 15).

A continuation of license-quota-exchange controls is forecast in a program worked out by the Interparliamentary Economic Committee (FCW, Jan. 17, 1949, p. 16).

The United States has a trade agreement with Colombia, as of May 20, 1936. In answer to a telegraphic inquiry of June 30, 1948, from the American Tariff League, Mr. Woodbury Willoughby, Chief, Division of Commercial Policy, United States State Department, replied in a telegram of July 2, 1948: "Colombia presented verbal request May 13 for our consent to upward adjustment schedule I trade-agreement rates arguing need for increased revenues and shrinkage ad

valorem equivalents since agreement signed. Trade Agreements Committee cur rently considering request."

No subsequent information has been received. Colombia is listed among 13 countries to negotiate agreements under GATT in April 1949.

Costa Rica.—Under decree promulgated October 13, 1948, all imports are classified in three groups in accordance with essentiality, under an exchange control program (FCW, Jan. 24, 1949, p. 14).

Cuba.—Cuba has not been particularly troubled by a shortage of dollars (NCB, August 1947, p. 94; September 1948, p. 105). A number of controls introduced by her during the last year apparently were for the purpose of safeguarding or fostering her industries. Cuba is a GATT signatory. At the first meeting of the GATT contracting parties at Habana in March 1948, Cuba requested renegotiation of certain concessions covering ribbons, knot fabrics, stockings, braids, tires and tubes, which apparently had been originally negotiated with the United States. The United States at the second GATT meeting in September at Geneva agreed to begin renegotiations (SD, No. 825, Oct. 11, 1948).

In the meantime by a decree of July 10, 1948, the Cuban Ministry of Commerce established a complicated import licensing control on raw cotton and cotton, rayon and wool fabrics and wearing apparel, which brought imports thereof to a standstill for about 2 months (FCW, October 23, 1948, p. 20). The action had the effect of nullifying in considerable part the benefits granted by Cuba in GATT (SD No. 766, September 22, 1948). The GATT contracting parties at their September session in Geneva asked Cuba to relieve the immediate difficulties, and to discuss the matter with the United States. Cuba on September 14, 1948 removed the restrictions except as to piece-goods remnants and wastes. The United States and Cuba were also to discuss these continuing restrictions (SD No. 766, September 22, 1948).

Dominican Republic.—Recent controls include increased import and export duties, and establishment of export surtax on certain commodities (FCW, January 24, 1949; December 6, 1948; December 13 ,1948; November 29, 1948; October 23, 1948; September 11, 1948).

Ecuador.—Ecuador has been forced to adopt controls due to her shortage of dollars (NCB, September 1948, p. 105). She established strict controls by the Emergency Exchange regulation of June 5, 1947, under which there appear to be not only allocations of exchange among three categories A, B, and C, but also import taxes and exchange surcharges. A decree of June 4, 1948 increases the cost of dollar exchange for A, B, and C imports by the Government, municipalities, and public institutions, by making them subject to the tax and, if for resale to the public, to the surcharge (FCW, October 9, 1948, p. 15).

El Salvador.—El Salvador appears not to have been suffering from a dollar shortage (NCB, September 1948, p. 105). Recent increased controls noted are the abolition of the temporary free-duty status on imported corn and beans, and an increase on certain types of cotton goods (FCW, October 30, 1948; September 25, 1948).

Guatemala.—Guatemala appears not to be suffering from lack of dollars (NCB, September 1948, p. 105). She has prohibited the exportation of citronella and lemon grass plants, seed and rootstock to protect the national industry of essential oils, which is dependent on these products for its raw materials (FCW, October 23, 1948). Special concern for this industry is evidenced by an authorization to set up an Office for Control of Sales and Exports of Essential Oils (FCW, October 9, 1948, p. 15).

Mexico.—So widespread and restrictive have Mexican trade controls become that the committee for Mexico of the National Foreign Trade Council released on February 1, 1948, a report urging revision of Mexican policies and laws (New York Times, February 2, 1949; New York Journal of Commerce, February 2, 1949). The Times summarized the committee's description of Mexican controls as follows: "Import control decrees, substantially higher import duties and taxation on exports."

The Mexican situation has become such a cause célèbre in connection with United States foreign trade and trade-agreements policy that a rather detailed chronological account of Mexican and United States action seems advisable. Earliest steps are listed in the United States Department Release No. 966, of December 30, 1949.

"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; and (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."

The United States agreed to provisional increases in duties on trade-agreement items and these were put into effect by Mexico. The United States State Department then scheduled hearings before the Committee for Reciprocity Information looking to renegotiation of schedule I only (Mexican concessions) of the 1942 trade agreement with Mexico. The hearings were held beginning February 25, 1948. After their completion negotiations began with Mexico. No official word as to their outcome has ever been published, so far as can be ascertained.

On July 22, 1948, the Mexican peso was devalued. This move was expected to increase exports, but the increase was moderate as merchants dealing in imported commodities have increased their prices as a hedge against the higher cost of dollar remittances" (FCW, October 16, 1948, p. 19). Prohibitions and restrictions on imports of so-called luxury articles, together with the import licensing regulations, resulted in an increase in contraband goods entering Mexico (FCW, July 24, 1948, p. 28).

By a decree of August 24, 1948, Mexico imposed a 15-percent ad valorem surtax on all exports, including those free of duty. It also authorized subsidies to exporters of fresh bananas and coffee (FCW, September 11, 1948, p. 19).

On September 30, 1948, Mexico established a comprehensive list of approximately 300 commodities to consolidate and replace all former lists of goods subject to export control (FCW, November 15, 1948, p. 23). Import controls were imposed on 36 commodities in addition to those previously covered (FCW, December 13, 1948, p. 27).

The United States is still honoring its part of the 1942 Mexican trade agreement. (See information supplied to House Ways and Means Committee by U. S. State Department; hearings on 1949 extension of the Reciprocal Trade Agreements Act (p. 17.)

Paraguay.—An important control commission of the Bank of Paraguay has the function of granting foreign exchange for the purpose of importing goods (FCW, October 2, 1948, p. 28).

Peru.—Peru has suffered from a dollar shortage and has instituted an extensive import control-exchange allocation system (NCB, August 1947, p. 94; September 1948, p. 105).

Latest regulations are those of December 11, 1948, which provide for the following:

Export control system: Forty-five percent of foreign exchange arising from each export sale must be delivered to the Central Reserve Bank of Peru. Export sales must be made only in currencies authorized by the bank. The bank delivers to exporters the equivalent of the 45 percent in national currency at the official buying rate. Exporters pay export duties from this currency. The Ministry of Finance grants export licenses.

Import control system: Goods listed by the Ministry of Finance may be imported without permit. Foreign exchange obtained from exporters will be used to cover the Government's own needs of foreign exchange and for allocation and payment for basic imported products, such as foods and medicines (FCW, January 24, 1949, p. 25; January 3, 1949, p. 25).

Uruguay.—Although Uruguay has not had too much trouble in maintaining a dollar supply, she requires import permits and has restricted them largely to industrial equipment and raw materials (NCB, September 1948, p. 105). In a decree of September 10, 1948, the Government required all Uruguayan industries which import directly for their own consumption to report on stocks of raw imported materials, in order "to facilitate the equitable allocation of import and export permits" (FCW, October 30, 1948, p. 26). In the summer of 1948, a price was fixed on linseed oil, a surplus of which was accumulating, in order to foster an export market therefor. If the oil had to be exported at a price lower than decreed, the difference was to be subsidized by the Government (FCW, September 4, 1948, p. 29).

Venezuela.—Venezuela does not appear to be in dollar difficulty (NCB, September 1948, p. 105). However, she imposes quota restrictions and import license controls on certain products (FCW, January 3, 1949, p. 28; October 16, 1948, p. 25). By a decree of October 15, 1948, the Government made the granting of import licenses for butter contingent on the purchase of 240 units of domestic butter for each 100 units of imported. At the same time prices of both were frozen (FCW, November 15, 1948, p. 48).

MIDDLE EAST

Egypt.—Egypt has an import license and exchange control system (FCW, January 10, 1949, p. 16). She also fixes the percentage of profits for importers, dealers, and manufacturers of certain foodstuffs (FCW, December 6, 1948, p. 10). A year ago Egypt suspended the import of automobiles from the United States (New York Journal of Commerce, February 2, 1948).

Iran.—By decree of July 26, 1948, Iran revised its foreign exchange regulations to provide as follows: Sellers of exchange receive certificates to the value of 100 percent of exchange sold. Exporters, within 1 month of date of sale, may use a certificate to purchase exchange for importing permitted goods. Only one transfer of a certificate is permitted. The Bank Melli may intervene in the free market to buy or sell certificates so as to stabilize the prices thereof. On certain listed goods, exchange will be sold at an official rate up to a certain percentage, the remaining percentage required to be paid for in certificates. For the importation of all other authorized goods, certificates are required to 100 percent in payment (FCW, September 18, 1948, p. 21). The 1948–49 import quotas were established by a decree of May 3, 1948 (FCW, August 21, 1948, p. 23).

Iraq.—Increased duties on a wide variety of imports became effective July 15, 1948. Textiles were said to be "particularly affected" (FCW, September 4, 1948, p. 21).

Israel.—New import duties became effective on June 28, 1948, constituting increases over items covered in the 1946 list of the former Government of Palestine (FWC, September 4, 1948, p. 21).

Lebanon.—A system of import licensing and exchange control is in operation with essential commodities being allotted exchange (FCW, September 4, 1948, p. 23). Importation of chemical fertilizers placed under direct control of the Ministry of National Economy, charged with issuing import license. An import tax of 30 percent is imposed. Sales prices are fixed (FCW, October 23, 1948, p. 29).

Syria.—An exchange control system, effective August 12, 1948, provided for the exchange office to retain 20 percent of all hard currencies derived from exports, travel, etc., for which Syrian currency at an officials rate is issued. The remaining 80 percent is issued in transferable certificates for hard currencies that may be used to purchase essential imports. Quotas are set for such imports. Import licenses are required. Exports to Egypt, Iraq, Palestine, and Transjordan must be paid for in pounds sterling (FCW, September 4, 1948, p. 28).

ASIA

Burma.—Import licenses are required and are issued on a communal basis in accordance with recommendations of chambers of commerce representing various national interests (FCW, August 28, 1948, pp. 12 and 16).

China.—The complexity of Chinese trade controls can only be increased by recent political and military crises. Many of China's past controls have been due to her desire to bolster a wartime economy.

China instituted a new import tariff on August 7, 1948, which increased substantially her ad valorem rates on all but a few commodities. International

Reference Service, United States Department of Commerce (December 1948; Vol. V., No 111). Rates were increased 50–100 percent. Although a 5 percent revenue tax and 45 percent temporary surtax, levied on import duties, were simultaneously discontinued, China shortly thereafter announced a rebellion-suppression surtax of 40 percent to be collected on all import duties on which she had not made agreement concessions (FCW, August 28, 1948, p. 17).

Effective May 31, 1948 a procedure was introduced linking imports with exports as "the latest in a series of regulations designed to control foreign-exchange resources" (FCW, July 24, 1948, p. 20 et seq.).

A Central Trust of China was established as a Government purchasing agency (FCW, January 19, 1949, p. 15).

law of June 30, 1948 designed "to conserve dollar exchange and protect local imports of nonessential and luxury articles, implementing the import control

Philippines.—Regulations, effective January 1, 1949, were issued controlling industries" (FCW, January 17, 1949, p. 26).

Siam.—Effective December 1, 1948, an import licensing system, based on quota allotments, was restablished. Controls are designed to direct foreign exchange toward the purchase of equipment for productive purposes, particularly industrial machinery (FCW, January 10, 1949, p. 21).

Bilateral Agreements Entered Into by Various Listed Foreign Nations

(Compiled from reports coming to the attention of the American Tariff League in the 6-month period prior to date)

Albania-Bulgaria, FCW, October 2, 1948, p. 20.
Argentina-Denmark, FCW, January 10, 1949, p. 8.
Argentina-Egypt, FCW, September 11, 1948, p. 8.
Argentina-Finland, FCW, August 14, 1948, p. 12.
Argentina-Hungary, FCW, January 10, 1949, p. 8.
Argentina-Poland, FCW, January 10, 1949, p. 8.
Argentina-Spain, FCW, October 9, 1948, p. 19.
Argentina-Sweden, FCW, January 10, 1949, p. 8.
Argentina-Switzerland, FCW, November 22, 1948, p. 24.
Argentina-Yugoslavia, FCW, July 17, 1948, p. 14.
Austria-Belgium-Luxemburg, FCW, August 21, 1948, p. 13.
Austria-Denmark, FCW, December 13, 1948, p. 12.
Austria-Poland, AIEB, September 1948, p. 674.
Austria-Yugoslavia, FCW, October 23, 1948, p. 14.
Belgium-Luxemburg-Norway, FCW, December 13, 1948, p. 12.
Belgium-Italy, FCW, September 4, 1948, p. 22.
Belgium-Luxemburg-Sweden, FCW, October 23, 1948, p. 15.
Belgium-Luxemburg-Switzerland, FCW, November 22, 1948, p. 24.
Belgium-Turkey, FCW, October 2, 1948, p. 33.
Bulgaria-Denmark, AIEB, November 1948, p. 856.
Bulgaria-Finland, FCW, November 29, 1948, p. 19.
Bulgaria-Hungary, FCW, January 10, 1949, p. 18.
Chile-France, FCW, October 23, 1948, p. 18.
Chile-Netherlands, FCW, October 23, 1948, p. 18.
Chile-Peru, FCW, October 23, 1948, p. 18.
Colombia-Sweden, FCW, January 17, 1949, p. 16.
Czechoslovakia-Denmark, FCW, November 29, 1948, p. 23.
Czechoslovakia-Germany, AIEB, December 1948, p. 981.
Denmark-Finland, FCW, October 23, 1948, p. 20.
Czechoslovakia-Pakistan, FCW, January 17, 1949, p. 17.
Czechoslovakia-Switzerland, FCW, November 22, 1948, p. 24.
Denmark-France, FCW, January 10, 1949, p. 16.
Denmark-Iceland, FCW, August 14, 1948, p. 17.
Denmark-Italy, FCW, October 30, 1948, p. 15.
Denmark-Netherlands, FCW, November 29, 1948, p. 23.
Denmark-Norway, FCW, October 30, 1948, p. 15.
Denmark-United Kingdom, FCW, October 30, 1948, p. 15.
Denmark-Union of Soviet Socialist Republics, FCW, November 29, 1948, p. 23.
Denmark-Western Germany, FCW, November 22, 1948, p. 16.
Denmark-Yugoslavia, FCW, October 23, 1948, p. 20.
Egypt-France, FCW, August 7, 1948, p. 18.
Finland-Hungary, AIEB, December 1948, p. 982.

Finland-Sweden, FCW, December 13, 1948, p. 21.
Finland-Switzerland, FCW, November 22, 1948, p. 24.
Finland-Turkey, FCW, October 2, 1948, p. 33.
Finland-Union of Soviet Socialist Republics, FCW, January 24, 1949, p. 15.
France-Netherlands, FCW, August 7, 1948, p. 18.
France-Norway, FCW, October 23, 1948, p. 24.
France-Poland, FCW, October 23, 1948, p. 24.
France-Portugal, FCW, October 23, 1948, p. 24.
France-Spain, FCW, October 9, 1948, p. 19.
France-Sweden, FCW, September 18, 1948, p. 19.
Germany-Hungary, AIEB, December 1948, p. 982.
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Hungary-Poland, FCW, January 10, 1948, p. 18.
Hungary-Sweden, FCW, January 10, 1949, p. 18.
Hungary-Switzerland, FCW, January 10, 1949, p. 18.
Ireland-Netherlands, FCW, October 23, 1948, p. 29.
Ireland-United Kingdom, FCW, October 23, 1948, p. 29.
Italy-Netherlands, FCW, September 4, 1948, p. 22.
Italy-Spain, FCW, October 16, 1948, p. 18.
Italy-Sweden, FCW, November 15, 1948, p. 22.
Italy-Turkey, FCW, October 2, 1948, p. 33.
Netherlands-Sweden, FCW, October 16, 1948, p. 19.
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Poland-Sweden, FCW, October 16, 1948, p. 21.
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Portugal-Venezuela, FCW, September 4, 1948, p. 29.
Spain-Sweden, FCW, October 9, 1948, p. 19.
Spain-United Kingdom, FCW, October 9, 1948, p. 19.
Spain-Western Germany, FCW, January 24, 1949, p. 18.
Sweden-Switzerland, FCW, October 30, 1948, p. 25.
Sweden-Turkey, FCW, October 2, 1948, p. 33.
Sweden-United Kingdom, FCW, September 18, 1948, p. 27.
Turkey-Western Germany, FCW, January 24, 1949, p. 18.
United Kingdom-Yugoslavia, New York Times, December 24, 1948.

Mr. ANTHONY. The list includes recent restrictions put into effect by 61 nations and territories outside of the United States and occupied Germany and Japan, as well as 81 bilateral trade and barter agreements recently negotiated. All of the 22 foreign signatories of the General Agreements on Tariffs and Trade (GATT) are included in the list, as well as 10 of the 13 nations with which negotiations are to be conducted at Annecy on April 11.

Mr. Thorp, in his appearance before the Ways and Means Committee, argued that—

> the trade agreements program is an integral part of our over-all program for world economic recovery.

He included in that program the International Trade Organization (ITO).

It is to be remembered that the general provisions of the General Agreement on Tariffs and Trade, negotiated at Geneva in 1947—that is, the provisions other than the schedules of tariff concessions—were lifted bodily from the language of ITO. The Protocol of Provisional Application of GATT was signed by a representative of the United States under the alleged authority of the Trade Agreements Act, and it has been the position of the State Department that no congressional ratification was necessary to bind the United States. However, ITO,

which differs from GATT more in degree and extent, than in basic concept or approach, is to be sent to Congress for ratification.

Both GATT and ITO transfer to a continuing international agency the consideration of matters that heretofore have been regarded, so far as the United States is concerned, as within the province of the legislature, and, in the Senate, normally are subject to the scrutiny of your committee. GATT, as I have said, is not to be referred to Congress at all. ITO apparently is to be submitted through ratification channels that would bring it before the Foreign Relations Committee rather than before your committee.

Senator MILLIKIN. I should say that under understandings which have been reached, no matter how ITO comes before the Senate, it will come to this committee. If it comes to the Senate as a treaty, the Foreign Affairs Committee will ask our advice on it, and we shall consider it in this committee.

If it does not come as a treaty, it will come directly to this committee, and I assume that Foreign Affairs will also be interested in the proceedings here.

Mr. ANTHONY. I am very glad that that will be the case.

I raise the ITO issue here only to point out that, in the view of certain students of the Habana Charter, there exists the possibility that adherence to ITO might commit the United States to unknown courses of action from which it could not deviate short of quitting the Organization. I do not say that United States ratification of ITO would render further extension of the Trade Agreements Act superfluous, because I do not have the legal competence to determine that question, but I respectfully refer this committee to the following language of the report on ITO by the Committee on Foreign Commerce of the American Bar Association, as reported in The Business Lawyer, November 1948:

> * * * adherence to a multilateral accord must be carefully examined to determine under what circumstances, if any, the benefits or obligations as originally defined may be modified without the concurrence, or even over the specific objection, of the one or more nations most affected.

Even though an extension of the Trade Agreements Act would still be required to implement the ITO, apparently it would be expected to conform to ITO policy, else the United States might be charged with failure to abide by its obligations.

Senator MILLIKIN. You of course are aware of the provisions in the GATT agreements that merge them into ITO under certain conditions there mentioned?

Mr. ANTHONY. If ITO is ratified and comes into effect it absorbs, so to speak, the GATT.

Opposition to the Habana Charter of ITO is increasing in the United States and I think it unsafe either to assume that its ratification is assured or to consider the current bill in the nature of implementing ITO before the fact. It is still possible for this committee to consider this legislation free and clear of the moral, and perhaps legal, pressures which would come down upon Congress were the Habana Charter to be ratified. It is not possible to say how long your committee will be able to act with such freedom, or whether it will be permitted to act at all.

The testimony before the Ways and Means Committee on the pending bill is impressive in one particular, and that is the unanimity of opinion that the Tariff Commission is a valuable and well-regarded agency, and that it is fully competent to determine "peril points." The State Department witness complained that the trouble with the 1948 Extension Act was that it deprived the Trade Agreements Committee of the participation, at the policy level, of the valued services of the Tariff Commission.

The purpose of the 1948 Extension Act was to insure the full utilization of the potentialities of the Tariff Commission. That law requires the Tariff Commission to act as a commission, independent of any other agency of Government, although responsible, as it always has been, to Congress and to the President. The State Department, as we understand its position, wants the members of the Tariff Commission to act in their individual capacities, offering advice, and joining in decisions at the policy level. It is our firm conviction that the full potentialities of the Commission are not realized in that fashion.

The Tariff Commission is a quasi-judicial body. It is nonpartisan. Its field of operation and inquiry is technical and complex. Its wisdom and judgment are, and should be, more than the sum total of the individual wisdom and judgment of its members. It is the meeting of minds, the reconciling of divergent views, that gives strength to such a quasi-judicial group, and that offers the greatest assurance to the public and to the parties affected, that the decisions reached are wise wise and just.

While the 1948 Extension Act forbids the Commission or its employees to participate in the making of decisions with respect to the proposed terms of any foreign-trade agreement or in the negotiation of any such agreement, that provision merely recognizes the fact that the Commission has already made the decisions it is most competent to make. Any compelling reasons that might prompt the President to disregard the recommendations of the Commission in the negotiation of tariff rates would come, as a matter of course, from sources other than the Commission.

Senator MILLIKIN. I invite your attention to the fact that under the nature of the Commission and its relation to Congress, it has no authority to participate in negotiations.

Mr. ANTHONY. Its presence there, then, would come from an Executive order.

Senator MILLIKIN. Those who favor the bill would have the Commission participate in a purely executive function, to wit, the negotiation of trade agreements. There is no authority whatever in the law for doing that.

Mr. ANTHONY. The Commissioners, after making a decision in full panel, should not then be forced to the indignity of reconsidering it as individual members of another group, no higher in authority than the Commission. Under the terms of the pending bill, the Commission would not be expected to act as a commission or to make any decisions as such. Its members would be integrated with representatives of executive departments and agencies under the domination of the State Department. It would not function as it was intended to function under the laws that created it and clothed it with independent authority.

The 1948 Extension Act provides that the Commission shall furnish facts, statistics, and other information to Government personnel engaged in trade-agreement preliminaries or negotiations. The scope of this obligation appears to us to be sufficient to permit the widest kind of consultation among the Trade Agreements Committee, the negotiators, and the Commission, so long as the Commission does not participate in the actual making of decisions as to terms of an agreement, or in the actual negotiation thereof. If the Trade Agreements Committee desires the attendance of the Commission for consultation during the preliminaries or during the negotiations, there seems to be nothing in the 1948 act to prevent such attendance.

The League therefore urges that the pending bill be amended to permit the Tariff Commission, as a commission, to determine "peril points" in the case of duties on which concessions are contemplated, in the same manner as currently provided under the Extension Act of 1948.

Senator MILLIKIN. Thank you very much, Mr. Anthony. Before we recess, I would like to read into the record, from page 54 of the recent hearings before the Committee on Ways and Means on H. R. 1211:

Mr. BYRNES. And that is recognized in the act itself; is it not, because those peril points are not binding upon the President?
Mr. THORP. That is literally correct.
Mr. BYRNES. That is actually correct, is it not?
Mr. THORP. Well, literally and actually. I was using them as equal words. It is correct.
Mr. BYRNES. So that the act of 1948 does not bind the hands of the President as some people try to tell the American public; it still leaves him free, does it not, to consummate any agreement that he desires to do so, within the 50-percent limit?
Mr. THORP. Yes. He is free, although there are, let us say, some pressures that are set up which may have some effect upon the exercise of that freedom.
Mr. BYRNES. The only pressure is the pressure of public opinion; is it not?
Mr. THORP. Yes; I think that is a fair way to put it.

We will recess until 2 o'clock.

(Whereupon, at 12:30 p. m., the committee recessed, to reconvene at 2 p. m., of the same day.)

AFTERNOON SESSION

(Pursuant to the taking of the noon recess, the hearing was resumed at 2 o'clock.)

The CHAIRMAN. The committee will please come to order.

Mr. Strackbein, you are representing the America's Wage Earners Protective Conference.

STATEMENT OF O. R. STRACKBEIN, EXECUTIVE SECRETARY, AMERICA'S WAGE EARNERS PROTECTIVE CONFERENCE

Mr. STRACKBEIN. That is correct, sir.

The CHAIRMAN. Tell us what you wish to say about your organization, if anything, unless you have covered it in a general statement.

Mr. STRACKBEIN. I have that covered in my statement, and I might as well give it in my statement.

The CHAIRMAN. All right. You may proceed.

Mr. STRACKBEIN. America's Wage Earners Protective Conference is a nonprofit organization composed exclusively of national and international unions affiliated with the American Federation of Labor. We represent upward of 500,000 workers in a dozen organizations. In addition I represent the Allied Printing Trades Association with a membership of approximately 200,000. Their interest in the matter before the committee arises principally from the close connection between the trade agreements program and the charter of the international trade organization.

Before proceeding with that, I would like to read into the record, Mr. Chairman, the resolution adopted by the American Federation of Labor in Cincinnati, the 20th of November 1948, with respect to the trade-agreements program. It is rather brief and will not take up much time. This is the resolution:

We recommend that the American Federation of Labor support the principle of this act—that means the Reciprocal Trade Agreements Act—the reciprocal trade agreements program offers a method for the future looking toward the further freeing of international trade from restrictive tariff barriers. However, in some instances the duty reductions already made have reached the point where further reductions would endanger the employment in particular industries, exposed to competition from abroad. In supporting the trade agreements program, we recognize the need of safeguarding American labor in some industries, especially where wages are a relatively heavy factor in the cost of production against competition that threatens to undermine our labor standards.

That is the end of the resolution.

We wish to make it clear at the outset that we do not oppose the extension of the Trade Agreements Act to 1951. Such observations and suggestions as we may make do not represent irresponsible opposition based on the promotion of selfish interests. We are sensible of both the difficulty of the international economic problems that confront the Nation and the need of subordinating group interests in reasonable degree to the national interest.

We believe, on the other hand, that it is as easy in the pursuit of a governmental program of a partisan character, to regard all disagreement, however sound and reasonable, as merely selfish and narrow, and to brush it off as such, as it is simply to oppose a program because some features of it may offer threats of injury or cause actual injury. A truly responsible and constructive approach will shun both extremes.

Therefore, while we do not agree with certain administrative features of the trade-agreements program, we are not for that reason to be cataloged as high protectionists, in irresponsible and narrowly selfish opposition to a noble experiment. We are as vitally interested in a sound economic future of the United States as anyone else.

We wish to address ourselves to a few of the points currently at issue in the administration of the trade-agreements program. One of these is the question of determination of peril points by the Tariff Commission. Another is the character and value of the escape clause and the relationship between these two questions.

We are fully aware that the complexity of the tariff question is such that these two matters do not exhaust the subject. There is no greater error in the consideration of the tariff than to generalize and to simplify. The economics of different industries differ too widely and the character of foreign competition encountered varies too greatly to justify generalization and simplification. One who

sees the tariff through the considerations that revolve about the export of cotton or automobiles or steel or electrical equipment may easily fall into the error of oversimplification and generalization.

Our reason for advocating the continuation of the power of the Tariff Commission to hold hearings, to conduct investigations and to make findings of the peril-points arises from several considerations that we believe to be neither trivial nor selfish. It is precisely because we are aware of the difficulty of the problem that we think that it should be taken seriously. If peril points could be found by gazing into a crystal ball we would say that an interdepartmental committee that lacks the kind of data that is necessary for arriving at a reasonably good judgment, would answer the purpose. It is our desire to get as far away as possible from this type of tariff adjustment.

From the nature of the case perfection cannot be achieved. We know that. What responsible person would advocate the proposition that because perfection cannot be attained we should not do our best and at the same time strive to improve our facilities and instrumentalities? Such a view could be held only with respect to a matter that is of itself regarded as of no importance. We do not regard tariff adjustment in that light.

We do not say that those who have adjusted our tariffs downward have viewed their work in that light. We do say that the fact that during the past 10 years we have experienced a seller's market in the United States, with little to fear from the effects of imports, created an atmosphere that was conducive to the idea that duties could be reduced with virtual economic impunity. We are equally firm in our belief that times are fast changing; and that if there was justification for relatively careless procedure in the past, that day is gone.

Senator MILLIKIN. May I ask a question, please?

The CHAIRMAN. Yes.

Senator MILLIKIN. In the industries that comprise those in which your organization is fundamentally interested, what evidence do you see that we have now changed from a seller's to a buyer's market?

Mr. STRACKBEIN. Well, one of these industries is the fishing industry, and the movement of fish to the market in recent months gives every indication that a surplus is beginning to appear. The prices are weakening, softening, and for that reason the lower prices which are offered by importers are beginning to be felt in a really competitive sense.

A little later in my statement I come to that very point of what difference it makes whether we have a seller's or a buyer's market.

Senator MILLIKIN. Thank you very much. I shall not disturb you now.

Mr. STRACKBEIN. We say that we need more information than we have had for our guidance in the past. We need more information on the competitive potential of our foreign competitors than we now have. I say that in all seriousness. I think it is extremely important to have more definite information on the potential of our foreign competitors than we have now.

We need to know more about the type of equipment they have, more about their productivity and wage rates, more about the expansion of their production facilities.

Frankly, we do not believe that the Tariff Commission has now an adequate staff to provide the necessary information. That is what we should be thinking about now, not about how best to minimize the need for this type of information. We have consuls, trade commissioners, and commercial attachés overseas. They are not now under specific instructions to report the sort of information that we lack. If they do report it, they do so incidentally. Their reports revolve principally about factors that help to measure the markets for our products overseas.

I myself spent some 5 or 6 years in the Foreign Service of the United States, and I have recently looked over the instructions to the commercial attachés and consuls, and I know that they still report much as we did in the past, developing the outlook, let us say, for the products of our own industries overseas. Their reports are pointed toward the development of that type of information.

We also have a few labor attachés abroad. Their reports are directed principally toward provision of current information on the political significance of labor trends. They have not been selected for qualifications that would enable them to report on economic matters of the kind that would be helpful in determining tariff rates.

That is not merely an offhand statement. I have discussed that with both the Department of Labor and the State Department, and they admit that the labor attachés have not been appointed for any qualifications they might have to report economic and commercial matters.

If this whole question were being taken seriously, we would not be arguing about the relationship of the Tariff Commission to the State Department. We would readily see that the appropriate liaison could be established between the Commission, the State Department, and other departmental agencies. To make issues out of such relationship is to raise to a point of importance questions that would sink to triviality given good will and a positive purpose to consider seriously the claims of our domestic producers.

We should be considering ways and means of building up information about the character of foreign competition industry by industry and product by product. We think that the Tariff Commission is the appropriate agency for this work. Over a period of years it has accumulated much information; but in many instances this is inadequate, particularly in view of the reequipment of many foreign plants. We believe that the Commission benefits now from reports made by our Foreign Service, but these reports could be directed more definitely toward accumulation of the type of information that is now lacking.

With rounded information the Commission would gain increasing competence in determining duty levels, adjusted to the facts of foreign competition, that would offer the degree of protection to which we think the domestic producer is entitled.

We turn now to the escape clause.

This committee is familiar with the conditions that must be met before the door may be opened for an escape. We wish to point to the contrast between the stringency of these conditions in comparison with the requirements for duty reductions. The latter are very general and the Interdepartmental Trade Agreements Committee, the State Department, or the President are under no compulsion to re-

veal the standards by which they are guided in cutting the tariff. So far as the groups that are affected are concerned, they have no way of knowing what considerations are weighed or disregarded. If there are any standards they are self-imposed. The degree of adherence is a matter that remains wholly in the dark.

When, however, an escape is sought, there is a phenomenal change. The procedure is definite, the requirements, explicit and detailed. There will be a hearing before the Tariff Commission, if preliminary investigation establishes a case to the satisfaction of the Commission.

At this hearing the Commission will expect attention to be concentrated upon the facts relating to—

1. The competitive strength of the foreign and domestic article in the markets of the United States during a representative period prior and subsequent to the granting of the trade-agreement concession.

2. Costs of production of the foreign and domestic article during a representative period prior and subsequent to the granting of the trade-agreement concession, and costs of importation of the foreign article during similar periods.

3. Developments since the granting of the trade-agreement concession which constitute advantages or disadvantages in competition between the domestic and the foreign article in the markets of the United States (U. S. Tariff Commission Rules of Practice and Procedure, p. 18).

Here there is no crystal gazing, no taking of votes on the basis of general published information, gathered here in Washington. The requirements place the burden of proof on the applicant. He has no escape from factual demonstration. No calculated risks are open to him, no loophole for escape. He must lay it on the line, and no mistake about it.

The two contrasting requirements represent a distinctly double standard. The easy, lax standard is applied to the foreign country, the strict, definite standard to the American producer.

What accounts for this very remarkable difference in standards? The one has been set up under the guidance of the State Department and is applicable to foreign products. The other is the work of the Tariff Commission.

We have no objection to the definite and detailed requirements laid down by the Tariff Commission. We do not think that concessions once granted should be withdrawn lightly. We think the Commission is to be commended.

What we do object to is the laxity of the standard used in granting concessions. The difference is extremely marked and disturbing. It creates an unfair discrimination against the domestic producer, through no fault, however, of the Tariff Commission. We think in all fairness that the escape clause should be relaxed with respect to concessions granted under a loose standard. In order to bring the two standards on to an equal basis, future concessions should be granted on conditions no less stringent than those exacted for an escape.

Aside from the requirements that are imposed upon the applicant under the escape clause, we wish to point out that injury may result from a condition other than an increase in imports, whether this increase is relative or absolute.

We refer to the prices at which imports may be landed. In a seller's market such as we have experienced during and since the war, but

which now is disappearing in various products, low landed prices of imports are of little or no concern. The distributors simply reap a handsome profit. The selling price to the consumer is determined by the highest cost units, meaning in this instance the domestically produced items.

I may add there that the import items are sold at the same price.

In a buyer's market we face an entirely different set of conditions. Supply then presses against demand. The competitor who is able to undersell has a distinct marketing advantage. He can cut his prices and yet realize a normal profit. In order not to be pushed out of the market his competitors must meet his prices. Because their costs are higher they must take a narrower margin or reduce their costs. The latter may be accomplished by reducing wages, laying off employees, or by other similar devices.

In such a contest the low-cost competitor continues to hold the advantage. He may even cut his profit to the point where his competitors, in order to meet his prices, must lower their prices below the break-even point.

The injury thus incurred could be suffered without any increase in imports, whether relative or absolute. Therefore an increase in imports, as such, should not be made a condition precedent to an escape. The attendant circumstances such as those mentioned above, should be given full weight in arriving at a conclusion.

Mr. Chairman, I think that is a very, very important consideration. To lay down as a condition of escape the requirement that imports must have increased, seems to me under certain circumstances to be wholly unrealistic and not to be directed to the actual merits of the case. The important thing is the injury, and where you have a buyer's market and imports coming in at prices that are appreciably below the domestic prices, you incur an injury and a serious threat, whether your imports have actually increased or not.

The CHAIRMAN. That would depend, would it not, upon the volume of your imports? In other words, if you were left enough of your own market to take up your own production, the size of your importation would not become material, would it?

Mr. STRACKBEIN. Let us assume that you had an appreciable volume of imports, perhaps 25 percent of consumption; the point I make is that in order to incur injury in a buyer's market—mind you I am talking about a buyer's market now—it is not necessary that that volume of import actually increase either relatively or absolutely; you can have the injury there.

The CHAIRMAN. That would be true if you had sizable imports.

Mr. STRACKBEIN. Yes.

The CHAIRMAN. That is true, or if you had an overproduction in your own market.

Mr. STRACKBEIN. That is correct.

The CHAIRMAN. But you are not complaining, are you, that this thing is turning now somewhat into a buyer's market in the United States?

Mr. STRACKBEIN. I think it is entirely possible from reading the present-day trends that we are moving toward a buyer's market.

The CHAIRMAN. I think so. Are you protesting that fact? I thought that we had lived under the other condition so long where

the seller had all of the advantage until it was time the buyer had some run for his money, at least.

Mr. STRACKBEIN. It just depends on how far and fast we are going to have to run, Mr. Chairman.

The CHAIRMAN. Yes, of course.

Mr. STRACKBEIN. It depends on whether you can hold this at a certain predetermined level or not. It is sometimes like a run in a stocking. You do not stop it very easily once it is started.

The CHAIRMAN. That is quite true; at least, I have observed that.

Mr. STRACKBEIN. So the point that I make is that the escape clause in insisting that there must have been an increase in imports is not a good criterion.

The CHAIRMAN. We get your point.

Senator MILLIKIN. May I make this suggestion: The effect of what you describe tends to fasten monopoly on the country. You squeeze out everybody except the low-cost producers.

Mr. STRACKBEIN. Very likely you drive out the smaller units that do not have the advantage of mass production. They are the first ones to feel the brunt of the low-cost imports. They are likely to be the higher-cost producers themselves, and while you have often heard it said that tariff is the mother of trusts, I think it can be argued equally effectively that the lack of a tariff under such circumstances can lead to the concentration of industry; that it is only those industries with the larger production facilities who have the advantage of mass production that can stand that kind of competition. The smaller ones are driven out.

The CHAIRMAN. I would not be disposed to quarrel with your premise. I only hope that you will apply it to the field of taxation, because it is there where I think you can really bring about more monopoly if you have an unwise taxing system that will squeeze out the little fellow, and leave only the big one there to take the field.

Mr. STRACKBEIN. Yes.

In conclusion we wish to say that because of the long reign of a seller's market in this country the duty reductions made in the last 10 years have not been tested. I think that has been said time and again. I think, if we consider the fact that we have had a seller's market, and that it was during the existence of this seller's market that these reductions have been made, that actually until a buyer's market does return, we will have had no adequate test of what these reductions in duty will actually cause.

The effects are now beginning to be felt in scattered lines. We anticipate that these lines will soon be added to and that the effects will grow increasingly serious.

In our view tariff rates should be set as nearly as possible at a point that will permit the average not the inefficient, domestic producer, to sell his output in the domestic market in sustained competition with imports at prices that, so far as they may be influenced by imports, will yield a reasonable profit, while the producer pays fair wages and maintains decent working conditions. These are the rates that the Tariff Commission should find and submit to the State Department as a guide in their negotiations with foreign countries. Such rates would not restrict desirable imports but would help maintain our standard of living. This of itself would offer the best and broadest market to foreign exporters to our shores.

I do not think that anyone denies that our imports are greater when we ourselves are operating on a basis of prosperous economy.

I did want to say a little more about this matter of the appearance of a buyer's market in some lines. I think the fishing industry is a good example of that. That is not true of all fish products. It is true of certain lines of fish products, and those that are now in most trouble are the fresh and frozen fillets of fish, that is, the cod, haddock, cusk, halibut, and so on.

As I said before, there is nothing more dangerous in considering a tariff than to generalize; not only are the differences within an industry and between industries very wide and differing, but even with respect to particular products you find different conditions, different competitive conditions. In the case of this fresh and frozen fillets of fish, there was a reduction in the duty made in an agreement with Canada, I think, in 1939. The rate was cut from 2½ to 1⅞ cents a pound. Then there was a quota fixed, which permitted only 15 percent of total consumption to be imported at the reduced rate.

What has happened is that not only is that quota filled, but the imports continue to come in at the higher rate of duty, that is, the 1930 rate of 2½ cents a pound to an extent as great again as the quota itself, and a little greater. In other words, the quota last year was something like 24,000,000 pounds. Actually the imports were about 54,000,000 pounds. So that even your higher rate of 2½ cents did not operate as a brake on the imports.

I simply bring that out as an indication of what will happen.

The question is often asked if these imports come in at a lower rate than our own fish. Why is it that the consumer never get the benefit of those lower costs? The consumer interest is one of those matters that is supposed to be taken into account in determining your tariffs. Yet in the case of fish, I am sure that if any one of you went to a fish market, you would find that you paid the same price, regardless of whether the fish was imported or was produced in American waters, because in a seller's market the highest priced producer is the one who sets the price. All of the others get the same price and simply get the margin of profit.

The CHAIRMAN. You think that has occurred in the fish industry?

Mr. STRACKBEIN. I think it has occurred in all industries, in all lines. It is an economic principle.

The CHAIRMAN. Especially about the fish. I know very little about that industry as an industry. I speak of that particularly.

Mr. STRACKBEIN. It is certainly the thing that you would expect to happen from your economic principles where you have a free market. If the demand is strong enough, they will pay the price that is exacted by the highest cost producer, and that becomes the market price. Any producer who produces at a lower level can take the margin of profit involved in that.

When the tide turns, then it is the marginal producer and the higher cost producer naturally who feels the brunt immediately. If it so happens that your domestic producers are all on a plateau in comparison with your imports, it is the domestic producers who feel the impact of your foreign competition increasingly from day to day. We are assuming now that the volume of production remains about the same so that you have the surplus beginning to press downward

on your price level. The importer or the foreign producer continues to sell at a margin of profit, but your domestic producer has to reduce his prices and sacrifice his profits and do the best he can.

There is no limit. If your foreign imports, if the volume were limitless, they could drive the domestic producers out of the market. Whether that condition has actually existed in a particular industry or not is a question of fact and that is the sort of thing we think the Tariff Commission ought to get, information so that we would know where we are going, and not depend simply upon certain printed information that you can gather up here in Washington, and say, "This is sufficient." We do not feel that we are getting the proper kind of study, consideration of all of these important matters as the set-up has been in the past.

Senator MILLIKIN. If you will refresh your memory by reading the hearings of last year before this committee on the same subject, you will find that the State Department is definitely opposed to the collection of information having to do with the difference in cost of production, definitely opposed to it. You will find it all through the testimony of Mr. Clayton. You will find it all through the testimony of the representative then of a front organization, and by that I mean a front organization for the State Department, called the Citizens Committee on Reciprocal Trade. You will find it all through there, because they consider that that is a protectionist device, and they are opposed to the doctrine of noninjury to domestic producers.

Mr. STRACKBEIN. I think that perhaps one other reason for opposing the cost of production approach is that they feel that such an approach would retard the process of making trade agreements. I would agree to this extent, that if you went out to obtain detailed costs of production, you do have a very slow process. I do not believe that it is necessary in order to develop what is the relative competitive standing between imports and exports to get the detailed cost of production. I think if you get the wage rates, and the relative productivity, then you have 90 percent of your cost of production, and you can very quickly arrive at a conclusion as to what advantage the importer might have in coming into this market.

Senator MILLIKIN. I am talking about their philosophical objection to the accumulation of cost of production data. That is what I am talking about.

Mr. STRACKBEIN. I understand that.

Senator MILLIKIN. It is difficult to collect that information in the world, the way it is torn up at the present time, and of course it would be difficult initially to build up that information and do it overnight.

Mr. STRACKBEIN. Yes, that is right.

Senator MILLIKIN. And if you had a functioning organization that was actually accumulating every day, and especially when the world gets more normal, I can see no reason why that kind of a job would be insuperable. My whole point went to their philosophical objection to the accumulation of that kind of information.

The CHAIRMAN. Are there any further questions, Senator Millikin?

Senator MILLIKIN. Thank you; no.

Mr. STRACKBEIN. I do not know whether you are interested in going a little further into the question of relationship between the Tariff Commission and the Committee for Reciprocity Information in the

State Department. That question has been raised. I undertook to set down the steps of procedure that would be followed, showing how with a Tariff Commission determining the peril point, there is no reason for regarding the Tariff Commission as being in any way isolated. The point has been made, Mr. Chairman, by the State Department, that this system currently in effect isolates the Tariff Commission and deprives the State Department of the value of the judgment exercised by the Tariff Commission on these various questions. This is a matter of three pages, and I would like to read that into the record, if you will bear with me a few minutes.

The CHAIRMAN. Yes, sir.

We have other witnesses, so make as much progress as you can.

Mr. STRACKBEIN. The question has been raised what relations the Tariff Commission should bear to the State Department, and its negotiators in the steps leading to a trade agreement. This is a question that requires analysis of the time element involved, in such preparations, and also of the coordination of effort between two official groups that collaborate to bring about a single result.

In the first place, someone must decide which country or group of countries should be approached about a possible agreement. In reaching a decision, production and trade statistics offer the best guide. Here there is room for consultation between the State Department, the Department of Commerce, and possibly the Tariff Commission. Appropriate liaison between such departments and agencies could readily pave the way.

The next step would consist of conversations with the representatives of the foreign countries to determine their willingness to enter into an agreement. This step would of course fall to the lot of the State Department.

I do not think anyone suggests that anyone but the State Department should carry on these preliminary negotiations with any foreign countries.

The third step would call for the preparation of a list of items to be considered for concessions by this country. In preparing such a list collaboration between the State Department, other interested executive departments, and the Tariff Commission would certainly be in order. The Tariff Commission has issued a number of informational reports that would be available for this purpose. Proper liaison would permit the consultation of the commodity experts of the Commission. It would not be necessary for the Tariff Commissioners themselves to act as a body in making such information and assistance available except in the form perhaps of general instructions to the staff. After appropriate sifting, the State Department would issue for distribution a list of the items on which hearings are to be held. They do that now.

A single hearing by a single agency would be sufficient. Such a hearing should be open to all interested parties, including exporters and importers.

The question now is who should hold the hearings, the Tariff Commission or an interdepartmental body with Tariff Commission representation. Since this whole question has been raised because of the change brought about by the amendment of 1948, it will be appropriate to consider the situation under which the Tariff Commission would

hold the hearings. No one questions the competence of the Commission in this field. The objections that have been raised relate to the exclusion, I should say the alleged exclusion of the interdepartmental representatives from the procedure. Another objection goes to the amount of time consumed under such a procedure. Objection also has been made that the State Department would lose all the value of the Commission's judgment.

There is no reason why the interested executive departments would not detail representatives to sit in the hearings of the Commission. The transcript of the hearings could be made available to them. There need be no loss of contact with the information produced in these hearings. Up to this point there seems to be nothing at stake beyond departmental prestige.

From this point on we come to the merits of the principal objections. One of these objections, to repeat, is the amount of time consumed between the completion of the hearings and the findings of the Tariff Commission. I think that is something in the nature of 120 days. During this period, it appears the State Department is locked out, so to speak, from contact with the Commission. It should be kept in mind, first, that the State Department and the interdepartmental personnel would have copies of the transcript, and other accumulated data that might occupy some of their time. The real difficulty is caused by the fact that the Tariff Commission may find it necessary to supplement the hearings by inquiries of its own. If the hearings themselves provided sufficient information, there would be no greater delay in the Commission's proceedings than in the same procedure as carried out by the Committee for Reciprocity Information in the past. Even during this period, that is, after the hearings, and the time that the Tariff Commission makes its findings, there is no reason why Tariff Commission experts could not give technical information and assistance to the representatives of the State Department, and other agencies.

To say that the State Department would suffer from delay at this stage is like saying that a judge must hurry his consideration of evidence in order not to waste time. It is a question of adequacy of information, of its proper digestion, and of care in its consideration.

It has been said that the finding of peril points involves an act of precision that is beyond the competence of the Tariff Commission or of any other body. Yet all State Department concessions also come down to specific points. Any time a concession is made it is naturally of some particular percentage point or some particular rate per pound or per foot or per ton. They end up with precise figures in terms of ad valorem percentage, or specific duty rates. Some concern has been expressed that the Tariff Commission would act in too narrow a field of considerations. This objection carries some weight, but it is not fatal to the quality of the results. The Tariff Commission having made its findings, these would be communicated to the President. The State Department would now be ready to negotiate.

Here the question arises whether the Tariff Commission personnel should participate in the negotiations. There appears to be no good reason why they should not act in an advisory capacity; presumably the State Department representatives are the best equipped to do the actual bargaining, and it would seem unnecessary that Tariff Commission personnel take part in that function. They are not appointed

for their qualifications as bargainers. Tariff Commission personnel are appointed for their competence and their qualifications in other fields, not in bargaining.

Senator MILLIKIN. There is no legal authority for them to negotiate.

Mr. STRACKBEIN. There is not. I am assuming even if there were, there would be no good reason, as a matter of procedure. Once the negotiations had been completed, and the President proclaimed the agreement, the Tariff Commission would issue a public report of its findings.

The CHAIRMAN. We thank you, sir.

Senator MILLIKIN. I would like to make some requests of the State Department for information, if the chairman wishes to read them over first.

The CHAIRMAN. Thank you very much.

Mr. STRACKBEIN. Thank you.

The CHAIRMAN. The next witness scheduled is Mr. Robert F. Martin.

Mr. Martin, you may proceed. You are representing the Vitrified China Association?

STATEMENT OF ROBERT F. MARTIN, EXECUTIVE SECRETARY, VITRIFIED CHINA ASSOCIATION

Mr. MARTIN. Yes, sir.

The CHAIRMAN. You may proceed with your statement.

Mr. MARTIN. Mr. Chairman, I am Robert F. Martin, executive secretary of the Vitrified China Association, Inc., 312 Shoreham Building, Washington, D. C., and I am appearing to make some comment on the issues involved and on the position of the American china industry with respect to H. R. 1211.

Having removed from the act the emergency justification for the extension of the unrestricted executive power that Cordell Hull once said was "more power than a good man should want or that a bad man should have" and justified only on an "emergency panic" basis, the advocates of H. R. 1211 are now proposing that bypassing the democratic process be made a normal feature of the conduct of the foreign economic relations of the United States.

Only five countries besides the United States, out of 39 with which we have trade agreements, permit the executive to wield unreviewed power of the nature covered by H. R. 1211. The roll call is as follows:

Countries putting trade agreements into effect without requiring specific legislative action: Belgium, Ecuador, Iceland, Paraguay, Peru, and United States.

Countries requiring subsequent legislative review and action on provisional executive action putting trade agreements into effect: Argentina, Australia, Canada, China, Cuba, France, India, Lebanon, Netherlands, Pakistan, Switzerland, Syria, Turkey, United Kingdom, and Venezuela.

Countries requiring specific legislative action before putting agreements in effect: Brazil, Burma, Ceylon, Colombia, Costa Rica, Czechoslovakia, El Salvador, Finland, Haiti, Honduras, Iran, Mexico, New Zealand, Norway, Nicaragua, Southern Rhodesia, Sweden, Union of South Africa, and Uruguay.

Precept and Example.—Apparently the democratic process is a "hampering restriction" only in the United States and five other countries in the trade-agreements operation, and this bypassing of the system of checks and balances in the United States as a normal peacetime procedure in this program is one of the demonstrations of the flexibility of our principles that we offer the nations that we are tutoring in the democratic way of life.

Being vitally concerned in the action of the Government in the trade agreements program, this industry looks upon the assumption of unreviewable economic life and death authority by the Executive as a normal rather than emergency function in this bill, as a critical point in what General Eisenhower a week ago warned was turning into "a constant drift toward centralized government."

Other groups might well choose some other point as the critical turn where a stand should be taken. The big mass-production industries that are in line to benefit under this act from what the State Department calls "guiding the economy into the most productive lines possible"—because they are export industries and the purpose of the act is to increase exports—might say that this critical point is when the Congress grants the Executive the requested power "to make contracts without regard to the limitations of existing law, and on such terms and conditions as the President deems necessary" to enter the steel manufacturing business.

The CHAIRMAN. What is that quota from?

Mr. MARTIN. This is from the anti-inflation bill.

The CHAIRMAN. We have not yet passed that bill.

Mr. MARTIN. It has been introduced in the House. It has been requested as an administration measure.

The labor unions in general might place it at the point when the Government decides that wages as well as prices must be controlled, a direction in which it is delicately, but inevitably, moving if it is unchecked on other fronts. Authority for this has been requested. For the farmer it might well be when the Government can no longer pay him liberally enough to purchase his continued acquiescence in its planning directives. For the housewife it may be the day when she faces prosecution unless she renders to the Government a financial accounting of each transaction with the maid or a baby sitter. Whatever may be the point when the process of encroachment strikes home in different groups in our population, at some point a stand must be taken if we are not to achieve at home the planned state society in which the citizen exists to implement the directives of the central committee, while calling it names like "communism" and "fascism" and fighting against it abroad.

The current status of the china industry.—So much for the over-all view. In the few remaining moments I will try to explain very briefly the situation confronting the china industry which makes it so anxious for the establishment of peril points by the Tariff Commission. To save time I have summarized these in chart form.

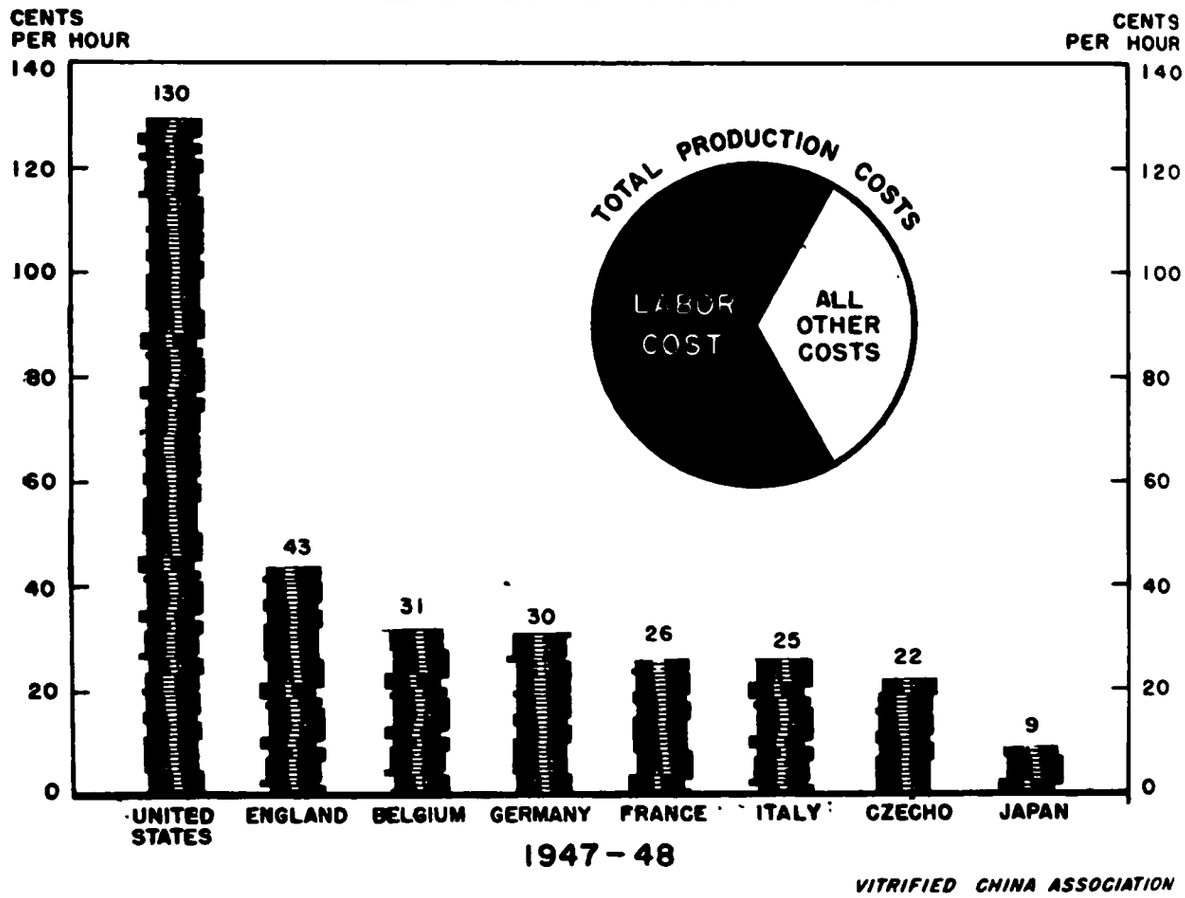
Ours is a handcraft-type industry, and as you will see in chart I, labor costs are over two-thirds of total production costs, in spite of mechanization wherever possible.

(The chart is as follows:)

CHART 1

AVERAGE HOURLY WAGE RATES, POTTERY INDUSTRY

UNITED STATES AND FOREIGN COUNTRIES



Mr. MARTIN. This makes it extremely vulnerable to competition based on wages below the American standard, not just 50 percent below, but down to more than 90 percent below.

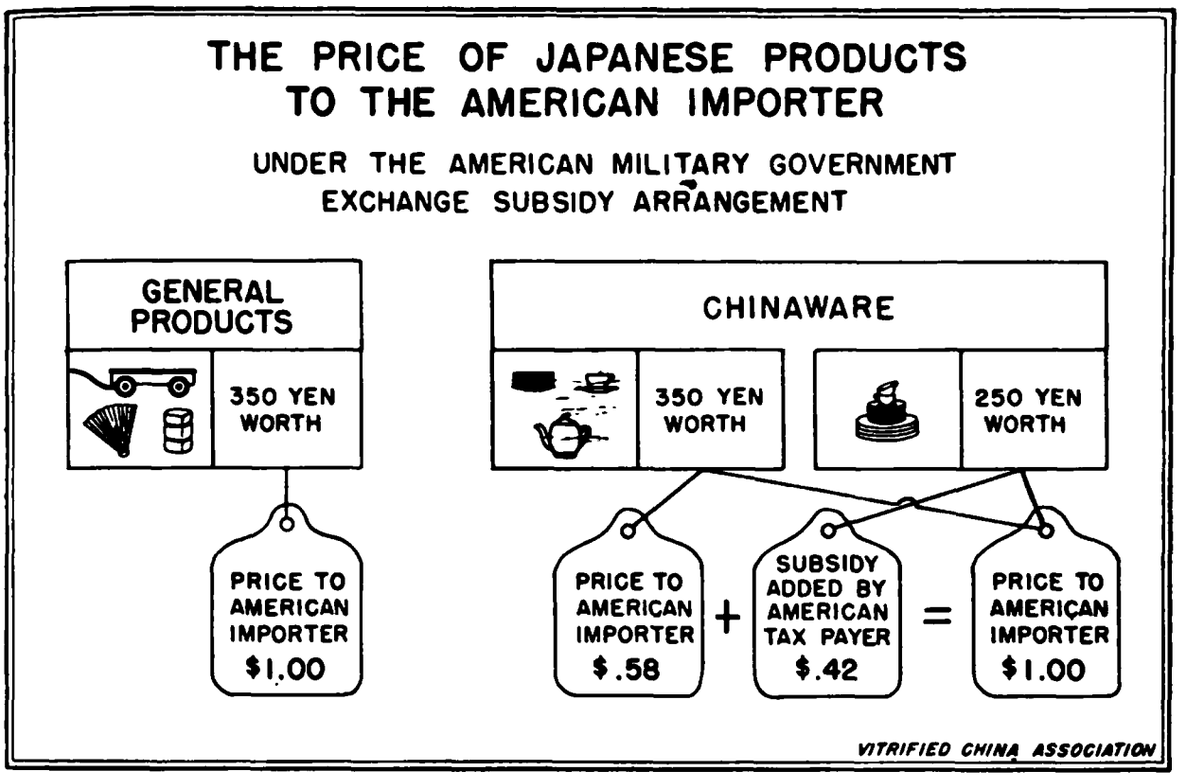
I would like to comment in connection with this chart on the position of the British. Although their wages in the pottery industry are one-third of those in the United States, they are worried about imports from still cheaper labor pottery-producing countries.

Senator MILLIKIN. Do they relate exclusively to the pottery business?

Mr. MARTIN. These data do; yes, sir. They put a tariff a few years ago of 20 percent on imports of china because they said wage rates in Czechoslovakia, particularly, and Germany were too low to afford fair competition with British pottery in the United Kingdom. That, however, was not sufficient, so they thereupon adopted an import-license system. Just this morning I called up the United States Department of Commerce and asked them what I should do to export chinaware to the United Kingdom. I was told that I would have to obtain a license from the British, but that the effort would be a waste of my time, because chinaware was competitive with the domestic British industry, and they were not issuing licenses for such importation at the present time.

Next is chart II.
(The chart is as follows:)

CHART 2



Mr. MARTIN. In Japan and Germany the American Government has financed and directed the building up of chinaware production and channeled it to the United States market to get dollars to offset against occupation costs. Then in Japan, in direct conflict with article 26 (1) of the proposed ITO—"No member shall grant, directly or indirectly, any subsidy on the export of any product"—it has subsidized this export by giving a special exchange rate to foreign buyers of china: 600 yen to the dollar as compared with only 350 yen to the dollar granted on general products.

As will be seen in this chart, the American importer taking general products gets 350 yen worth for $1; but if he takes chinaware, he is given not only 350 yen worth but also an extra 250 yen worth for his dollar. In other words, he gets the normal dollar's worth for 58 cents, with a free bonus of 42 cents' worth thrown in.

The tariff law is perfectly clear on countervailing duties on subsidized exports to the United States. We made application to the Bureau of the Customs on this last September 13; 5 months later we have still had no definitive action. Meanwhile, imports from Japan have more than doubled. Imagine what the delay would be if this were an escape-clause application involving a sliding scale of invisible peril points, consideration of whether or not other countries had satisfactory alternative markets and the conduct of negotiations with other countries, instead of an unilateral application of existing law.

I might point out in that connection that my first application to the Bureau of the Customs got the brush-off.

Senator CONNALLY. The usual brush-off?

Mr. MARTIN. Yes, sir.

Senator CONNALLY. Did they brush all of you off?

Mr. MARTIN. I am getting accustomed to this.

Senator CONNALLY. The usual brush-off?

Mr. MARTIN. Yes. The reply stated that the collectors of customs at the port had received no documents showing that the imported chinaware was receiving a subsidy in Japan. Therefore there was no basis for action. "You are out."

Of course, I went back and pointed out that section 303 of the Tariff Act of 1930 did not require that the collectors of customs receive evidence that a subsidy was being paid on exports from another country to the United States, before the countervailing duty provisions, whether the subsidy were direct or indirect, was to become effective.

I presented evidence: articles that had appeared in the New York Times and such information as I had been able to get from the Department of Commerce, and was told then that nothing could be done until the Bureau of Customs could obtain a complete report on just how the system was being operated from General MacArthur's office in Japan.

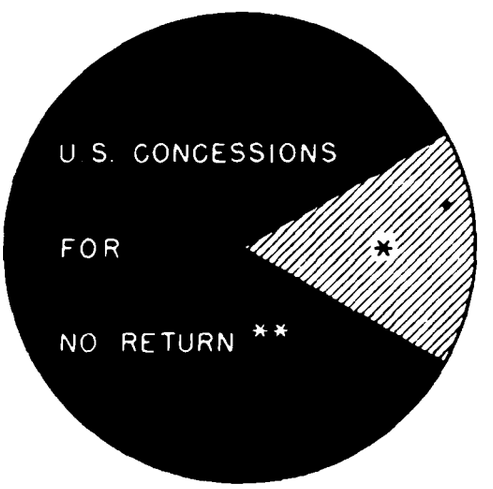
I do not know whether General MacArthur cares to report on that to the Bureau of Customs or not. Meanwhile, an express provision of the law of the United States is not being enforced.

Next is chart III.

(The chart is as follows:)

CHART 3

U.S. IMPORTS OF NON-BONE DECORATED HOUSEHOLD CHINA UNDER TRADE AGREEMENTS TARIFF REDUCTIONS, DECEMBER, 1948



* VOLUME OF IMPORTS FROM COUNTRIES WITH WHICH U.S. NEGOTIATED REDUCTIONS (16%)

** VOLUME OF IMPORTS FROM OTHER COUNTRIES UNDER THE REDUCED RATES (84%)

SOURCE U S BUREAU OF THE CENSUS

VITRIFIED CHINA ASSOCIATION

Mr. MARTIN. Our American Government, engaged in building up our foreign low-wage competition, then resorted to a twisting of the trade-agreements program to facilitate its competition with us. The State Department, which works hand in glove with the American military governments abroad, negotiated tariff reductions on chinaware, in violation of Mr. Hull's announced policy, with the minor suppliers, Czechoslovakia and France, so that their Japanese and German china (this china is stamped on the back "U. S. Zone Germany" and

"Occupied Japan") would get tariff reductions. The American Government was in effect negotiating with itself for the major benefits of these concessions.

I would like to let you see a sample of the way ware is being marked by the American Government abroad, to assure the consumer it is an American Government sponsored product.

Senator MILLIKIN. Is there any documentation of your allegation that this was a trick in order to give Japan the benefit of these concessions?

Mr. MARTIN. I have concluded this from the fact that there could be no other justification for it. When we made the agreement with Czechoslovakia, that country was going behind the iron curtain and we knew it. The State Department itself was in doubt as to whether or not we ought to proceed. But after our agreement had been ratified by most other countries, Czechoslovakia did ratify, and we gave her the concessions.

There is no point in giving Czechoslovakia a concession when it is supplying under 5 percent of our imports of this china. There is nothing that Czechoslovakia would give us knowing that 95 percent of the benefit was going to other countries.

Senator MILLIKIN. Which countries are the principal suppliers?

Mr. MARTIN. Germany and Japan, and we did not negotiate with either country, of course.

So no claim can be made in this case that, well, there were other considerations that were received from other participants in the Geneva agreements which justified our giving a concession here, because others were also giving us something in return. The principal suppliers were not at Geneva.

Senator MILLIKIN. They had nothing to give in return.

Mr. MARTIN. Thay nothing to give in return.

Incidentally, because of the export subsidy in Japan, almost 90 percent of our imports from that country do not now qualify under the reduced rates. If we are successful in our efforts to have the countervailing duty law enforced and the subsidy is then removed, the proportion of imports from the countries with which we negotiated would most likely drop to about half of the 16 percent shown in this chart.

As I listened to the representative of the State Department here last Thursday reply "Not necessarily" to so many statements of practices usually followed by his Department, I was reminded of the following exchange nearly 2 years ago in the Ways and Means Committee hearings:

Mr. MILLS. You say we are not importing from Germany and Japan because the war is not over and the treaties have not been signed?

Mr. MARTIN. Yes.

Mr. MILLS. But, as soon as we complete our treaties with Germany and Japan, can be expect a great increase?

Mr. MARTIN. Yes.

Mr. MILLS. Where are we going to get it? Where is it going to come from?

Mr. MARTIN. From Germany and Japan. The military government in Japan reported that the china industry in Japan was very little affected by the war.

Mr. MILLS. Have we negotiated a trade agreement to reduce our tariff on German and Japanese products?

Mr. MARTIN. We do not need to. We are negotiating with the United Kingdom and Czechoslovakia in this group, and these considerations will automatically be given to Germany and Japan when the peace treaties are signed.

Mr. MILLS. Not necessarily. That will not come about until they become members of the International Trade Organization.

Well, notwithstanding "not necessarily," the State Department extended our concessions to the negotiating countries, also to Germany and Japan the instant they were proclaimed—even before private trading was resumed.

I might comment in connection with chart III that the other country involved was France, not the United Kingdom, and France was then also supplying at the time less than 5 percent of the imports.

Senator MILLIKIN. What is the peculiar characteristic of this china dish which you have presented for examination by the committee?

Mr. MARTIN. The characteristic that I want to call your attention to is the fact that on the backstamp you will find in rather large type "U. S. Zone" and in rather small type "Germany," which illustrates the point that I am making that the American Government wants it to be clear even to American consumers that this is a United States Government-backed product.

Senator MILLIKIN. Is it the kind of chinaware that we are importing——

Mr. MARTIN. From Germany.

Senator MILLIKIN. That we make in this country?

Mr. MARTIN. Yes.

Senator MILLIKIN. This is in competition with us?

Mr. MARTIN. Yes; it is in direct competition with us.

In the case of Japan, the backstamp is marked "Occupied Japan.

Chart IV shows that imports of chinaware under all this American planning and assistance have been increasing by leaps and bounds and are already by value four times prewar, and in dozens rose above prewar in December.

(The chart appears on p. 427.)

Mr. MARTIN. In both dozens and dollars, imports have now surpassed domestic production in the United States, and they continue to increase. We are already receiving order cancellations. I anticipate that we shall have unemployment before the latter part of this year.

Senator MILLIKIN. Is the percentage of labor cost roughly the same in all of these countries.

Mr. MARTIN. Roughly; yes. In household china in this country, it is actually about 75 percent, rather than the two-thirds I have given here, but for comparative purposes, since I could get data only for the entire pottery industry in other countries, I used the entire pottery industry in this country which is about two-thirds.

Senator MILLIKIN. I notice under your chart that Japanese labor gets 9 cents an hour; German labor, 30 cents an hour; and United States labor, $1.30 an hour. Is that right?

Mr. MARTIN. That is as of 1947 and 1948 on a comparative basis. That is correct. Our wage, and I presume the wages abroad, have gone up since then. Ours is now $1.42 an hour.

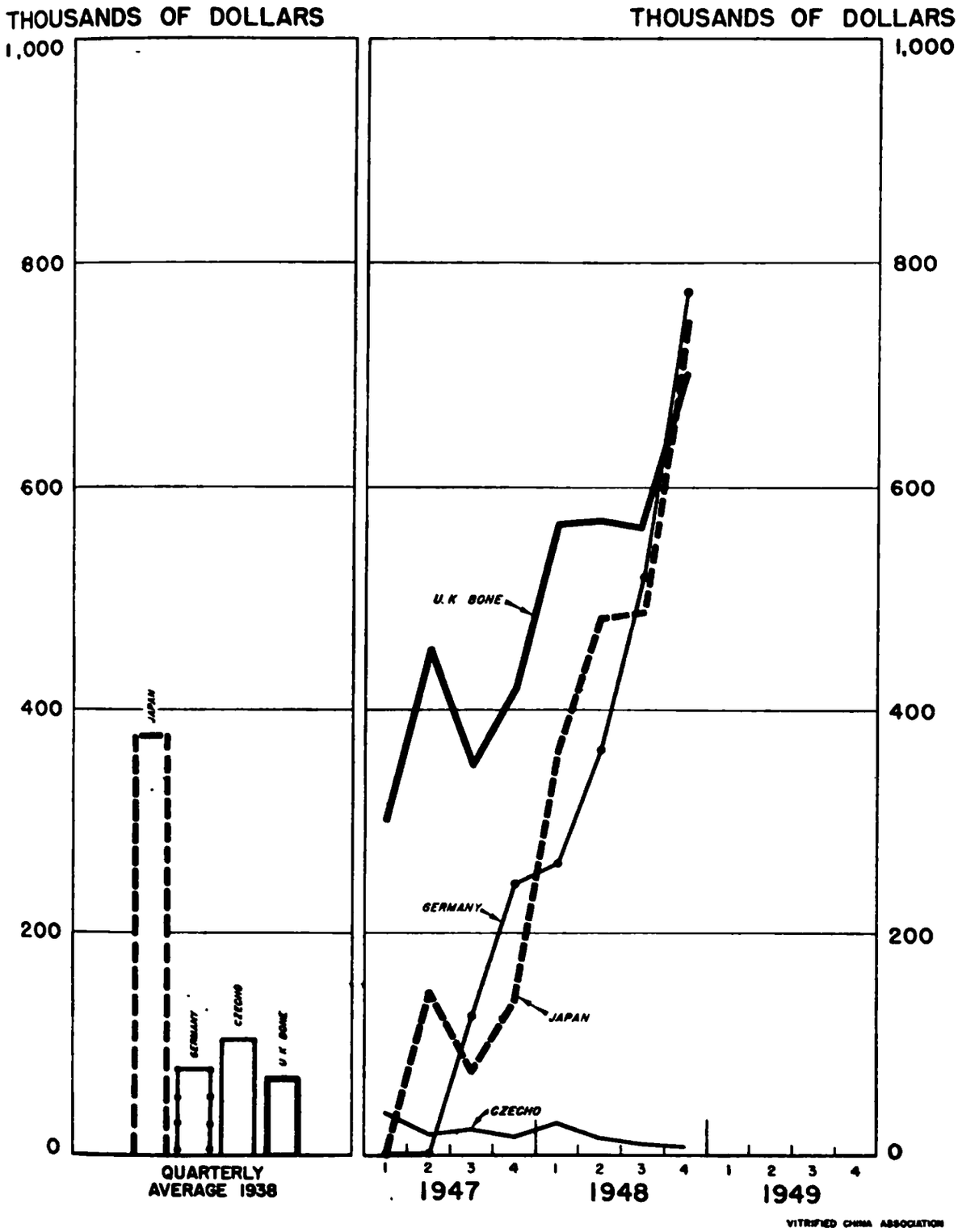
Senator MILLIKIN. Have you made any requests for escape clause procedure?

Mr. MARTIN. Not yet because of the provisions in the Tariff Commission regulations which require us to show a whole series of items on which I have not yet been able to get the data together. As a matter of fact, we do not want to make a questionable inquiry or

CHART 4

U.S. IMPORTS OF CHINA TABLEWARE

BY COUNTRY OF ORIGIN, QUARTERLY AVERAGE 1938, 1947 —



application, and we plan to wait until we actually are threatened with unemployment. This means taking a chance because, as you can see here, within 5 months after we applied for a countervailing duty, the imports from Japan doubled. I do not know what will develop in the interim while the Tariff Commission goes through all of the proceedings and the State Department negotiates with other countries before a decision can be made. But I am afraid that, if we go in

before we actually can show an unemployment threat, the case will be thrown out. Then we would not be able to introduce it for some time, and meanwhile you can see from the chart the way the imports are going up.

Senator CONNALLY. Do you get the raw materials here or do you have to import a lot of them?

Mr. MARTIN. We get over 95 percent of our raw materials here. We use clays from Georgia, Florida, Alabama, Ohio, and ball clays from the Kentucky and West Virginia region. We also use feldspar from some of the Mountain States.

Senator CONNALLY. Thank you.

The CHAIRMAN. Are there any further questions?

Mr. MARTIN. I have one concluding statement to make.

From this brief résumé, you can see why we in the china industry in this country feel that we have been either ignored by the State Department, since its functions are not primarily concerned with domestic affairs, or that we have been secretly chosen as one of its "unproductive" industries, away from which it is guiding the economy in its blind drive to increase our national dependence upon the unstable boom-and-bust mass-production export industries.

This explains our stand against unrestrained power over us in the hands of our foreign-relations agency. We need the protection of a nonpolitical fixing of "peril points" by the agency set up for this purpose—the Tariff Commission—with its 30 years of experience removed from the heat and excitement of international political dickering.

Senator MILLIKIN. What has been the effects of this on your business—the effects of this importation?

Mr. MARTIN. The first effects that we have of a vital nature have been a few cancellations this past month in orders in which the dealers gave the reason that they were increasingly able to buy German and Japanese china, and get it more cheaply. It has not been seriously evident except as a threat up until this past month.

Senator MILLIKIN. It is not clear in my mind whether the German and Japanese china is now coming in here.

Mr. MARTIN. Yes, sir; as you can see in that chart, both in larger-than-prewar quantities.

Senator MILLIKIN. Czechoslovakia also?

Mr. MARTIN. That has practically passed out of the picture. It has gone behind the iron curtain and is shipping very little to us. And yet Czechoslovakia is a country we gave a reduction to.

Senator CONNALLY. Are these products that you are talking about, was it France and Germany?

Mr. MARTIN. France and Czechoslovakia were the countries with which we negotiated and gave reductions.

Senator CONNALLY. You are talking about the last month in which they claim they can buy china cheaper from some countries. What were those?

Mr. MARTIN. From Germany and Japan.

Senator CONNALLY. Is that new products, now, or is that an old stock pile they had during the war?

Mr. MARTIN. This is entirely new. This is coming in in very large quantities now. December imports were almost double those of October and November and amounted to over $1,000,000.

Senator CONNALLY. I know the imports are recent. Is the china new china, or is it old china held over from before the war?

Mr. MARTIN. Entirely new china.

Senator CONNALLY. Thank you.

Mr. MARTIN. I can be sure of that, because only the new china has this "U. S. Zone" and "Occupied Japan" on the backstamp. That is under the glaze, and it could not have been put there if it was old china.

The CHAIRMAN. You appeared a year ago, did you not, Mr. Martin?

Mr. MARTIN. Yes, sir.

The CHAIRMAN. At that time you testified as follows, and I read from your testimony on page 266 of the hearings before the Committee on Finance. You testified that—

> We at present are 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.

That was your testimony at that time, was it not?

Mr. MARTIN. Yes, sir.

The CHAIRMAN. That was June of last year. And now your real threat is to be read in canceled orders during the last 30 days?

Mr. MARTIN. Yes, sir.

The CHAIRMAN. There might be other causes, might there not, for cancellation of orders?

Mr. MARTIN. These cancellations were explained by the dealers on the basis of the availability of Japanese and German china.

The CHAIRMAN. I understand, but there might be various reasons there why there was a fall off in purchases in the United States, not only in china but in other lines. You would not attribute it all to the tariff, would you, necessarily?

Mr. MARTIN. Oh, no, sir; the rehabilitation of the china industries in Germany and Japan by our military governments there is the basic cause of the increase in imports to the United States right now. The tariff is simply our last defense resort. If that is thrown out, we are sunk.

Senator MILLIKIN. I wanted to ask about that piece of china that you showed us. Is that cheap chinaware?

Mr. MARTIN. No, sir: it is competitive with American china in price.

Senator MILLIKIN. I mean, is it cheap ware?

Mr. MARTIN. The china sells in competition with the American china.

Senator MILLIKIN. If you went into a store, what would you pay for that?

Mr. MARTIN. I paid $1.10 for that plate.

Senator MILLIKIN. Is most of that handwork?

Mr. MARTIN. Yes, sir.

Senator MILLIKIN. Are the technological processes abroad as good as our own?

Mr. MARTIN. Yes, sir; our American military government has had American ceramic engineers in both of those countries and has financed American methods and machinery for installation there.

Senator MILLIKIN. Is it American machinery that is making this stuff?

Mr. MARTIN. To some extent; yes.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. No questions.

The CHAIRMAN. Senator Martin?

Senator MARTIN. When did they start to make this in Germany and Japan?

Mr. MARTIN. Chinaware, that is.

Senator MARTIN. I understand, but this recent stuff that is being shipped into the United States?

Mr. MARTIN. Our first imports began in the spring of 1947. We had nothing from either Germany or Japan to amount to anything at all before that time. That is, after the war.

I would like to point out a factor here in comparing the statistics of imports from Japan now and those of our imports prewar. You would jump to the conclusion, I think, if you did not know the background, that our present imports are as nothing compared to prewar. As a matter of fact, our prewar imports from Japan were valued at about 52 to 56 cents to the dozen and were selling in our dime stores competitive with American earthenware, and not with china. This that is coming in now is valued foreign value at a little better than $2 a dozen. which brings it up into the china range, and it is competing with china.

Senator MARTIN. Is it any better quality than that they sold in our 5- and 10-cent stores preceding the war?

Mr. MARTIN. I think on the whole, yes; although their quality is not yet up to prewar in the better lines.

Senator MARTIN. Is that by reason of the improved machinery that we have furnished them, and probably the improved technique that we have given them? Is that the reason for the better quality?

Mr. MARTIN. I do not say that as a whole it is of better quality now than it was prewar.

Senator MARTIN. Is it not better quality?

Mr. MARTIN. No; on the whole. But it is improving right along.

Senator MARTIN. I will admit that, not being an expert, I cannot tell the difference. That also applies to glass, although of course there is a big difference. But, not being an expert, I cannot tell; but I have noticed in the last few months, not only in glass, but the china or pottery now appearing in our stores. I have been stressing it because we have potteries and glass factories in my own part of Pennsylvania, as you know.

Mr. MARTIN. Yes, sir.

Senator MARTIN. It alarmed me, and I have been investigating prices; and, as I say, the quality does not come to me because I am not an expert.

Mr. MARTIN. It is difficult to generalize, and some of them are quite good. But they are selling with American china competitively. since as you say, most consumers are not expert in this line.

Senator WILLIAMS. Is that machinery that we sold them, or gave them, this American machinery?

Mr. MARTIN. I have not been able to find out. As in some other cases, I have tried to track these things down, and have hit a blank wall. I have tried to find out whether the American military govern-

ment funds were being used, and I got nowhere. I do know that military-government funds are being used to buy raw materials, and presumably machinery.

Here is a case in point of the difficulties of getting information. The Vice Chairman of the Tariff Commission included in his statement of what was to be considered in the application of the escape clause, an item to the effect that the needs of the foreign country for a market in the United States, and whether or not that country had satisfactory alternative markets. I could not see what that had to do with determining whether injury was done to the domestic industry or not.

I wrote to the Tariff Commission and asked them if on all other grounds a case had been made for injury to the domestic industry, would they still not apply this escape clause because the foreign country claimed it had no other satisfactory market. The reply said, well, they took a rather dim view of it, but that was a question to be decided by the President. So I wrote to the President. Mr. Steelman answered that they did not know now, of course, what considerations would have to be taken into account when they finally came to decide whether or not it was in the public interest. I have run into that blank wall nearly every time I have tried to pin these things down.

Senator MARTIN. Where does a country like Germany get its raw materials?

Mr. MARTIN. Mostly in Bavaria. They have the clays right there.

The CHAIRMAN. Senator Hoey, do you have any questions?

Senator HOEY. No questions.

The CHAIRMAN. Thank you very much.

Mr. MARTIN. Thank you, sir.

The CHAIRMAN. The next witness is Mr. Howard Richmond. You are appearing for whom?

STATEMENT OF HOWARD RICHMOND, VICE PRESIDENT, CROMPTON-RICHMOND CO.

Mr. RICHMOND. My name is Howard Richmond, and I am vice president of the Crompton Co., manufacturers of velveteen and corduroys.

The CHAIRMAN. Where is it located?

Mr. RICHMOND. At West Warwick, R. I. We have wholly owned subsidiaries, Crompton-Highland Mills in Griffin, Ga., Crompton-Shenandoah Co. in Waynesboro, Va., Crompton-Richmond in New York City, and Arkansas Cotton Mills, Inc., in Morrilton, Ark.

The CHAIRMAN. I believe you have a statement.

Mr. RICHMOND. I do, and I am also representing some 18 velveteen and corduroy producers, and we represent 100 percent of the velveteen production and approximately 75 percent of the corduroy production in this country.

At the hearings on this bill before the Ways and Means Committee of the House we appeared and presented a brief on behalf of the velveteen and corduroy industry. A copy of this brief was mailed to each member of this committee, and we respectfully request that you give it due consideration in your study of the testimony presented here.

Over the past 16 years our industry has been represented at various hearings on this subject before congressional committees, the Tariff Commission, and the Committee for Reciprocity Information. The

record contains in some detail facts and statistics concerning our industry in particular and our views regarding the trade-agreement program in general. In order to conform to your request that we limit our oral testimony to 15 minutes, we propose to emphasize here only three points concerning the bill before you.

The peril point: Despite assurances from the White House we have been fearful from the outset that the logical consequence of the trade-agreement program would be the ultimate abandonment of the protective principle as a basic factor in our tariff policy and that the original purpose expressly stated in the act "the expansion of foreign markets for products of the United States" would be forgotten. As the program has unfolded, we have been increasingly confirmed in that fear, and now we are left in no doubt. In his testimony before the Ways and Means Committee on January 24 the Honorable Willard L. Thorpe, Assistant Secretary of State for Economic Affairs, made the following amazing statement:

> Under the act which the President has requested * * * we shall have a clear mandate * * * to guide the economy as a whole into the most productive lines possible.

If this means anything at all, it means that if the bill before you is passed as now written, the State Department will interpret your action as their authority to use the powers delegated to the Executive under the original act to make or break any industry in their sole discretion. It is the most presumptuous declaration ever made by any responsible agent of the United States Government and can be explained only on the ground that we have now progressed far enough along the road to totalitarianism to make it safe no longer to conceal the real purpose of the administration.

It is our duty both as representing the stockholders and employees of our industry, and as citizens of a democracy, to protest with all the vigor at our command any action by the Congress which can by any stretch of the imagination be interpreted as contributing to the zeal for dictatorial powers on the part of an administrative agency. Mr. Thorpe's statement highlights the absolute necessity for more, rather than less, supervision by Congress of the use or abuse of delegated powers.

Specifically, we recommend, and strongly urge that—

1. The provision of the 1948 act providing that the Tariff Commission determine peril points be retained.
2. The provision that the President must report to Congress his reasons for exceeding peril points also be retained.
3. Hearings of the Tariff Commission and the Committee for Reciprocity Information be held jointly.
4. The services of the Tariff Commission or members thereof be utilized on the Committee for Reciprocity Information or at any other level where their knowledge and experience can best be utilized.

The escape clause: In all of our contacts with Government agencies we are constantly advised to rely upon the escape clause for relief if our industry is injured or threatened with injury. First of all the escape clause appears in only two of the trade agreements negotiated prior to Geneva, and furthermore the revised form of the escape clause adopted at Geneva introduces time-consuming factors which practically nullify any benefits available to an injured party. Under the

generalization clause, concessions granted to any contracting country for a consideration are enjoyed gratuitously by all other countries and it is not likely that we would or could, without creating international hostility, withdraw from noncontract countries rates, relying on which they have created or expanded their industries, because of an offense by a contract country.

Even if a domestic industry should establish injury before the Tariff Commission there is nothing in the law which requires the President to take action and his decision undoubtedly would be influenced by State Department advice. With the present mental attitude of the State Department, its advice would be controlled not by whether injury has actually been suffered or threatened, but by whether the continuance of the suppliant industry would or would not fit into its policy of "guiding the economy as a whole into the most productive lines possible."

No one can read the report of the Tariff Commission to the Ways and Means Committee entitled "Procedure and Criteria With Respect to the Administration of the 'Escape Clause' in Trade Agreements" without an appreciation of the tremendous difficulties anticipated by the Commission itself in carrying out its duties under Executive Order No. 9832. If, as the Commission states, "the very purpose of a reduction in duty is to cause imports to be larger than they would otherwise be" how "serious" does injury have to be to justify a recommendation to the President that the purpose of the act be set aside?

During two periods before the war our industry suffered serious injury from importations under rates higher than those now in effect and today we are confronted with the probability in the near future of further and much greater injury. In order to make out even a prima facie case before the Tariff Commission we should have to prove not that we are injured by foreign competition and therefore should enjoy a higher rate, but that quantitative importations are "relatively" higher than before and that they result directly from a trade agreement made with the competing country although major importations may be and, in our case, probably will be from countries with which we have no trade agreement at all.

Under the flexible clause of the 1930 act we could make an excellent case before the Tariff Commission. Under the Trade Agreement Act, even with an escape clause, we are licked before we start.

It is probably too late now to revise the escape clause to make it practically operable but Congress can and we urge that it do amend the present bill to make it mandatory upon the President either to act in accordance with the advise of the Tariff Commission or to report to Congress his reasons for not so acting.

Depreciated currencies: In the discussions with regard to the tariff we do not think that sufficient attention has been directed to the effect of unstable and unpredictable currency values upon the volume of our imports. All foreign countries are dollar hungry, and, regardless of trade-agreement obligations, most countries either artificially or under pressure of economic necessity are juggling their currencies to entice dollars into their treasuries. No tariff law which is not sufficiently flexible to take into account radical fluctuations in foreign currencies can serve any purpose other than to flood this country with foreign products as normal production is resumed abroad. Under the Trade

Agreements Act we are denied resort even to such frail relief as was afforded under the old American valuation clause.

To provide for such and other unforeseen contingencies we recommend and urge that a provision be inserted in the bill to the effect that, when the depreciated currency of any country results in importations in such volume as to injure or threaten injury to a domestic producer, the Tariff Commission must, upon appeal by a domestic producer or upon its own motion, determine the facts and, if the facts warrant, recommend to a suitable agency, preferably the Department of Commerce, that such importations be placed under reasonable control as exports are now controlled. Obviously legislation would also be required to authorize and empower the Department of Commerce so to act.

Senator MILLIKIN. Mr. Chairman, may I read a paragraph into the record from the Watchdog Committee on ECA? It will just take a moment.

The CHAIRMAN. Is it on this point?

Senator MILLIKIN. Yes; it is.

The CHAIRMAN. Very well, Senator.

Senator MILLIKIN. I am reading from page 2 of that report, dated January 10, 1949. It says:

> The basic economic problem confronting Europe is inadequate production. Nevertheless, the inflation which has occurred in all countries, and the uncertainty as the future value of their currencies tend to counteract direct action which has been taken to increase output.
>
> The following conditions prevail in most of the countries which participate in the United States aid: There is a tendency to prefer commodities to money, which results in withholding materials from production. There is a tendency for production to go into domestic consumption rather than to go into exports. Foreign trade is conducted on a bilateral barter basis. Each of these trends is contrary to the objectives of European recovery.

I mention that in relation to this discussion and to throw additional light on the currency problem raised by the witness.

Mr. RICHMOND. Conclusion: Employment in this country already is declining, backlogs of orders in some lines are disappearing, production is catching up with demand, and stocks are accumulating. The danger signals are set. The storm warnings are out for all to see. It seems to us that this tense moment is the wrong time to further liberalize a law which has all but destroyed confidence in our ability to weather the storm. No real or imaginary demands of international diplomacy can justify further undermining the strength and security of the only strong country remaining in the world. Our present economic strength and resourcefulness are the only remaining guaranties upon which the free countries of the world are depending for future peace.

Senator MILLIKIN. Mr. Chairman, I would like to ask: What raw materials go into the manufacture of velveteen and corduroy?

Mr. RICHMOND. American cotton.

The CHAIRMAN. May I ask this question: Are all the cotton-textile producers now experiencing the pinch, due to falling off of orders, and so forth, and filling up of the pipe line?

Mr. RICHMOND. I think generally that is the case in the cotton-textile industry. But it is not because of foreign importations.

The CHAIRMAN. Not because of foreign importations?

Mr. RICHMOND. I don't think so.

The CHAIRMAN. Not at this time.

Mr. RICHMOND. Certainly not in our branch of the industry.

The CHAIRMAN. Your imports are not actually increasing at this time?

Mr. RICHMOND. They are increasing but they are still in such small quantity that they are not affecting our over-all picture.

The CHAIRMAN. Would you mind saying, if you have the figures in mind, whether any of the cotton textile manufacturers are now operating more than one shift?

Mr. RICHMOND. Yes, sir. I would say that I am not too familiar with the industry as a whole, but it is our experience in our phase of the industry that they are generally operating at least two shifts at the present time.

The CHAIRMAN. At least two shifts. Has there been any fall-off of employment in your industry?

Mr. RICHMOND. I think there has been.

The CHAIRMAN. You do not know to what extent unemployment has ocurred in your industry?

Mr. RICHMOND. There has been unemployment in the cotton textile industry; in our particular phase of it very little. I think more in other branches of the industry. We ourselves in the corduroy and velveteen industry I would say have had no falling off in employment up to the present time.

The CHAIRMAN. Any questions?

Senator MILLIKIN. I would like to ask:

Did your answer to the chairman as to the number of shifts relate to your industry or to the cotton industry generally?

Mr. RICHMOND. I tried to answer as to the industry generally. I know as far as our branch of the industry is concerned, we are running more than that.

Senator MILLIKIN. What foreign countries export corduroy and velveteen?

Mr. RICHMOND. Japan, of course, has been our biggest problem over the years. And I mentioned two times in history where we have suffered very seriously under rates which are considerably higher than are now in existence; once in 1936 through '39, from Japanese competition, and once in 1928 through '29, through Great Britain; but more recently from Japan.

The CHAIRMAN. Any questions?

Senator Williams?

Senator WILLIAMS. No questions.

Senator MARTIN. When you state you are now operating two shifts: Was there a time when you operated three shifts?

Mr. RICHMOND. Let me clarify that. I can only speak for the corduroy and velveteen industry; and I would say that today we are operating at about the maximum peak. We have not felt the recession that has generally hit the cotton textile industry.

Senator MARTIN. What is the main difference in cost between your operation and that of your competitors in foreign countries?

Mr. RICHMOND. The reason that we are so interested in this whole question of tariffs, is because our small specialized branch of the textile industry contains to the best of our knowledge a far higher percentage of labor than any other branch of the cotton textile industry; and therefore we have been more vulnerable.

Senator MARTIN. What is the difference in the hourly wage between our industry in this country and in the competing countries?

Mr. RICHMOND. I don't have the figures today, as far as Japan is concerned, but I do know that our industry averages pretty close to the cotton textile industry generally, as far as what we are paying is concerned, and I believe that we are paying at least three times as much as Great Britain today, which is the next highest country. And as I say, the reason that we take such an active interest in the whole subject is because we are one small specialized branch of an industry that has a higher percentage of labor in the cost than the others. And we have been affected in the past, and we are well aware that we are very vulnerable, and we expect it again.

Senator MARTIN. Mr. Chairman, may I ask another question?

What is the labor percentage of cost in your production?

Mr. RICHMOND. On velveteens, labor costs considerably more than the raw material; on corduroys, about the same.

Senator MARTIN. And what would that percentage be, about?

Mr. RICHMOND. Well, if you leave out overhead and just take your direct costs of labor and raw materials on velveteens, I would estimate that labor is about 60 percent or 65 percent, and on corduroys about 50 percent. The last figures that the industry got together were 2 years ago, for hearings we attended at the Committee of Reciprocity Information, and my figures are based on that information, which is not up to date, because of the increases in wages that have taken effect in the last 2 years.

Senator CONNALLY. May I ask one or two questions, Mr. Chairman?

The CHAIRMAN. Senator Connally.

Senator CONNALLY. Are corduroy and velveteen made entirely of cotton?

Mr. RICHMOND. Yes, sir.

Senator CONNALLY. There are no other fabrics in them at all?

Mr. RICHMOND. No, sir.

Senator CONNALLY. It is just a question of method, then.

Mr. RICHMOND. Yes, sir.

Senator CONNALLY. How do you get this shine on the veleveteen? It is very deceptive. It makes it look like satin.

Mr. RICHMOND. I could easily explain it to you, but it is kind of a long drawn out affair.

Senator CONNALLY. Not if it is too long.

Mr. RICHMOND. They belong to a group of fabrics known as fustians, which, to get their pile, are surfaced from extra crosswise filling threads that are cut after the fabric has been woven, and then processed, and brushed up to create the pile.

Senator CONNALLY. I see. All right.

Senator HOEY. Mr. Chairman?

The CHAIRMAN. Senator Hoey.

Senator HOEY. Did I understand you to say that your business so far had not been adversely affected by imports?

Mr. RICHMOND. That is correct.

Senator HOEY. Do you know whether the textile industry's business generally has been affected one way or the other by imports?

Mr. RICHMOND. I don't know of any that have been seriously affected.

Senator HOEY. So, so far, the imports have not affected either one, to amount to anything?

Mr. RICHMOND. To the best of my knowledge.

The CHAIRMAN. Are there any further questions, Senator Hoey.

Senator HOEY. That is all.

The CHAIRMAN. Thank you very much for your appearance.

Mr. RICHMOND. Thank you, Mr. Chairman.

The CHAIRMAN. I believe we are down to oil.

Mr. Russell Brown, I believe that you have been selected more or less as the spokesman, here. Do you wish to call any particular witnesses?

STATEMENT OF RUSSELL B. BROWN, REPRESENTING INDEPENDENT PETROLEUM ASSOCIATION

Mr. BROWN. Mr. Chairman, if I may, I would like to state that we have endeavored to try to get these statements down as compactly as possible, so as to avoid a duplication in the character of testimony as well as the witnesses.

I think we have pretty well done that; except, of course, that we have no control over the representatives of the Governors. However, I have talked to them, and I do not thing in any instances there is a very long statement from the State representatives. They leave to the industry the statement of the case, except insofar as it affects the States.

Otherwise, if I may, I would suggest that following myself, Mr. Wirt Franklin would like to testify and present to a very large extent the case for the industry, and then I will call the others, if I may, in the order that we have indicated.

The CHAIRMAN. All right. You may proceed.

Mr. BROWN. My name is Russell B. Brown. I am general counsel of the Independent Petroleum Association of America, which is a national association consisting primarily of producers of crude oil within the United States. Every oil and gas producing area of the Nation is represented in our membership. Although many of our members are engaged in other branches of the industry, our main interest is in the production of crude petroleum. The association represents approximately one-third of the national production of crude petroleum.

We want to talk to your committee about the supply of one of the materials most essential to our Nation's safety, petroleum, and its relationship to the trade agreements program.

The reciprocal trade agreements program is relatively new to our economy. The Congress has not as yet made it a permanent part of our body of laws. Its periodic renewal gives the Congress opportunity for a review of the effects of the law so that it may be amended where necessary to insure best results.

Failure to make amendments indicated as proper might eventually destroy the good effect implicit in the ideal of the law.

It has been 10 years since the trade-agreements program was first applied to the importation of petroleum into this country. We, therefore, are in a position to evaluate its effects upon the domestic petroleum industry. Before going into the effects of the program, I

desire first to briefly review the history of treatment of petroleum under the Trade Agreements Act. Petroleum was first treated in the agreement with Venezuela in 1939, in which the import excise taxes established by Congress were reduced by 50 percent on crude petroleum; topped crude petroleum; gas oil; and fuel oil. There was, however, in the agreement a quota restriction on the amount of petroleum that could be imported under the reduced rates.

Next, petroleum was treated in the Mexico agreement in 1943. In this agreement, the quota established in the Venezuela agreement was removed entirely and the excise tax was reduced 50 percent on kerosene, petroleum liquid asphalt, and road oil.

Petroleum was again the subject of treatment in the general agreement on tariffs and trade formulated in Geneva in 1947. In this agreement the excise taxes on all petroleum products, including gasoline, which had not been treated in the earlier agreements with Venezuela and Mexico were reduced 50 percent.

Thus, at the present the excise taxes established by Congress in 1932 on the importation of crude petroleum and all petroleum products have been reduced across the board by 50 percent. In effect, a policy of encouragement to foreign oil has replaced the congressional policy of encouragement to the domestic industry.

The most important problem now confronting the domestic oil producer is that of increasing imports. The independent producer is concerned because his existence is at stake; but more important because the security of our Nation is at stake. In presenting our problem, we think that there are two over-all results from the trade-agreements program that this committee and Congress should have in mind in considering the extension of the program.

First, that the trade-agreements program is operating to make the United States dependent upon foreign oil, and;

Second, that the trade-agreements program is encouraging a world monopoly in oil.

These two results are discussed in some detail in a petition filed by the association on February 15, 1949, with the United States Tariff Commission, for escape clause relief from existing trade agreements. This petition is the latest in a series of efforts on our part over a period of years to obtain relief from the injurious effects of the trade-agreements program. I would like to introduce this petition at this time. In this petition we have shown how the trade-agreements program is endangering our national security and encouraging and aiding a world monopoly in oil.

Also in the petition we have spelled out in detail the nature and extent of injury to the domestic industry that has already resulted, and is further threatened from trade-agreement concessions on oil. Briefly, this injury is as follows:

(*a*) Imports have risen sharply from a prewar—1935–39—average of 153,000 barrels daily to 645,000 barrels daily during December of 1948. The attached chart pictures the trend.

(*b*) Prewar imports were 4.8 percent of domestic production but now are more than 10 percent.

(*c*) Oil imports have risen and exports have dropped substantially with the result that during the 10 years that the trade-agreements program has operated on petroleum, the domestic industry has suffered an aggregate loss of markets in the amount of approximately 655,000 barrels daily.

(*d*) The rapid increase in imports during 1948 has caused the largest accumulation of petroleum inventories in history resulting in unnecessary physical waste.

(*e*) Concrete evidence as to the extent of injury already suffered by the domestic industry is shown by the recent actions taken by the conservation agencies of the States of Texas, Oklahoma and Kansas which have reduced producers' well allowables since the first of the year by more than 500,000 barrels per day which is near 10 percent of our national production. In addition, in other areas the largest importing companies have reduced severely their purchases from independent producers.

(*f*) Further threatened injury in addition to actual injury already suffered is also of much concern to the domestic oil producers. Information from both industry and Government sources have indicated the low cost and greatly increasing volume of foreign oil production. The testimony last year before the Senate Special Committee Investigating the national defense program shows that recent costs of production of crude oil in the Middle East ranged below 50 cents per barrel. Plans for expansion of foreign oil facilities show that more and more foreign oil will be seeking a market outlet in this country at the expense of the domestic industry.

This additional foreign oil is not needed. I believe the record to date offers convincing support for this conclusion.

The achievements of 1948 were outstanding. At the close of the year, oil production in the United States averaged about 6,100,000 barrels per day (5,680,000 of crude oil and 420,000 barrels of allied natural gas liquids). This all-time record was 430,000 barrels daily or 7 percent above the January 1948 level. It was more than 2,000,000 barrels daily, or half again, above the prewar 1941 output. Petroleum supply is not dwindling. It is increasing as it has done throughout its history.

In total last year more than 2,000,000,000 barrels of crude petroleum were brought to the surface of the ground, transported, refined and delivered to the consuming public. This might suggest that available underground reserves were reduced to supply this large volume. On the contrary, more than 3,000,000,000 barrels of new reserves were found and developed during 1948 according to a recent authoritative survey. In other words, new additions to reserves more than offset production. This resulted in a net addition to the national petroleum bank account over and above withdrawals of more than 1,000,000,000 barrels. Known oil reserves as of the first of this year were at the highest level ever attained.

In 1948 close to 40,000 wells were drilled involving a total footage of almost 140,000,000 feet. This drilling added 1,139 new oil- and gas-producing formations to those previously known and developed, an increase of 22 percent over the number found in 1947 and about double the prewar rate.

This record to date is impressive evidence, I believe, of our ability to meet future oil demands. It is not necessary, however, to rely solely on past history. A few months ago, a committee of leading executives of the petroleum industry completed the first comprehensive survey ever attempted covering the outlook for future oil production in this country. I would like to file a copy of the report. This study reflects the best consolidated judgment of those most qualified to speak on the subject of future oil supplies. The report of this committee concludes "that petroleum liquids from natural sources will be available within the United States in substantially increasing amounts." The estimated increase in availability of domestic oil ranges up to 7,320,000 barrels per day in 1953 as compared with 6,100,000 barrels daily at the close of 1948.

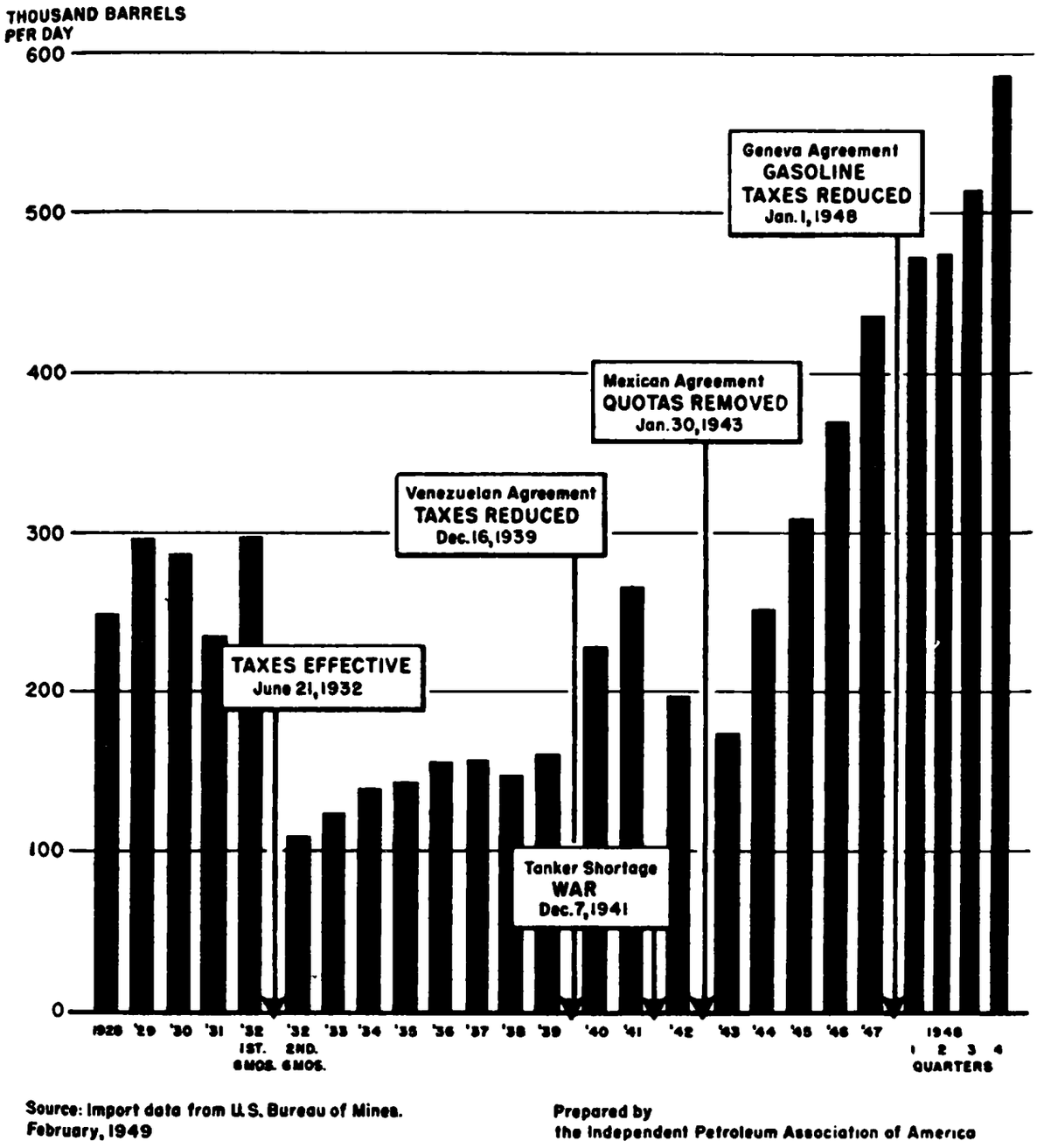
Beyond the optimistic outlook for natural petroleum we have tremendous reserves of natural gas to supplement oil in supplying the Nation's energy requirements. In addition, if and when it should become necessary to produce petroleum by synthetic processes, there are abundant sources of raw materials within the United States to meet our needs by these methods.

Through the unhampered progress of technology and free initiative, this country's oil security can and must be maintained.

In view of the essentiality of petroleum to the security of the United States it is in the interest of the Nation that the domestic petroleum industry be placed in position so it will be capable at all times of supplying national petroleum requirements. To this end, it is suggested that an amendment to the pending bill be made providing in substance the following:

Quotas for the amount of petroleum and petroleum products to be imported into the United States shall be provided limiting the total quantity imported from all countries in any year to an amount not to exceed the total exports of petroleum and petroleum products from the United States for the pervious year. Quotas established under this provision may be suspended during any period of inadequacy of petroleum supplies to meet current national petroleum requirements.

(The chart and report referred to are as follows:)



REPORT ON THE LONG-TERM AVAILABILITY OF PETROLEUM BY THE SUBCOMMITTEE ON LONG-TERM AVAILABILITY OF THE NATIONAL OIL POLICY COMMITTEE, AMERICAN PETROLEUM INSTITUTE, NOVEMBER 1948

INTRODUCTION

This report covers the results of a study of the amount of petroleum which can be expected to be available to this country for all purposes during the 5-year period 1949–53, inclusive, and a statement covering the supply during the years 1954–59.

The study shows that petroleum liquids from natural sources will be available within the United States in substantially increasing amounts; that under favor-

able conditions there will be increasing amounts of petroleum readily available from other areas in both the Western and Eastern Hemispheres for importation into the United States if needed; and that there are abundant sources of raw materials within the United States from which petroleum products can be produced synthetically to supply all needs if it becomes necessary or advisable to produce them by this method. In short, the Nation can continue to grow through the use of petroleum products as a major source of energy.

THE STUDY

The study is the most comprehensive undertaken by the oil industry in recent years. It was thorough and painstaking. More than 75 individuals were members of the subcommittee and its various working groups. Each group called upon those geologists and production technicians who had intimate knowledge of the area under study, with the result that several hundred trained personnel participated. Through these individuals and under the procedure followed, it was possible to obtain and consolidate a large portion of the industry's information on this subject.

In estimating future availability of oil for consumption in the United States, both the importance of the subject as well as the inherent difficulties of the undertaking have been recognized. Petroleum, being a natural resource contained in subsurface formations, must be discovered and developed before it can be produced and converted into the many oil products used by the consumer. The discovery of new underground reserves and the development of these newly discovered fields is the industry's major operation, carried on continuously. It is the most important single factor affecting the estimates of future petroleum availability. The estimates are based on the industry's ever-increasing store of knowledge as to the prospects for further discovery and development, but, in the final analysis, the volume of newly discovered and developed oil cannot be determined accurately until the actual results of future drilling become available. It was felt, therefore, that it was both necessary and desirable to show a probable range within which future availability might be expected to fall. With this in mind and subject to the conditions set out in this report, it is believed that this study represents a reasonably reliable guide as to the probable availability of petroleum for consumption in the United States.

Petroleum products for consumption in the United States may be obtained from three principal sources: (1) domestically produced crude petroleum and natural-gas liquids; (2) synthetic production from natural gas, oil shale, and coal; and (3) petroleum produced in foreign countries in both the Western and Eastern Hemispheres. All three sources have been considered in this survey with detailed estimates being shown for the 5 years 1949–53, inclusive. For the following 5-year period 1954–1958, a more general analysis of probable availability has been made.

BASIC CONDITIONS

The results of the study should be considered in the light of the following basic conditions prevailing: That there will be favorable economic conditions; that there will be no Government regulation of, or restrictions upon, the industry's normal activities; that adequate materials will be available to carry on the industry's contemplated operations; that estimated availability will be based on maximum efficient rates of production under engineering principles consonant with good conservation practices; and that there will be no serious interruptions in the industry's activities in the event of war. Any substantial deviation from these conditions in actual developments during the 10-year period, due to matters outside the control of the industry, necessarily would require modification of the forecasted availabilities.

CONCLUSIONS

1. It is estimated that total availability of petroleum and petroleum products for consumption in the United States will increase substantially during the 10 years 1949–58, inclusive.

2. During the 5 years 1949–53, inclusive, the availability of natural liquid hydrocarbons (crude petroleum and natural-gas liquids) produced in the United States is estimated to increase as shown in the following tabulation:

	Probable range		Average (barrels daily)
	Lower (barrels daily)	Upper (barrels daily)	
1949	6,120,000	6,300,000	6,210,000
1950	6,310,000	6,630,000	6,470,000
1951	6,460,000	6,920,000	6,690,000
1952	6,560,000	7,140,000	6,850,000
1953	6,600,000	7,320,000	6,960,000

For comparison, the actual domestic production of these liquids in 1948 is expected to approximate 5,900,000 barrels per day (5,500,000 barrels daily of crude petroleum and 400,000 barrels daily of natural-gas liquids). The estimated 1953 rates, therefore, would be equivalent to an increase over 1948 of 1,060,000 barrels daily on the basis of the average estimate of availability.

3. Supplementing the natural petroleum liquids produced in the United States during the next 5 years the estimated availability of petroleum products from synthetic processes, under foreseeable economic conditions, is relatively small, with the volume reaching approximately 30,000 barrels daily of oil products converted from natural gas by 1953. However, technically feasible and operable processes for the conversion of natural gas, oil shale, and coal to oil products have been developed, and large sources of supply of those raw materials exist.

4. Production of foreign petroleum is estimated to increase substantially during the 5 years 1949–53, inclusive. Total estimated production of crude petroleum in the foreign nations of the Western Hemisphere (for use in those foreign nations and for export) is estimated to increase from 1,750 000 barrels daily in 1948 to 2,490,000 barrels per day in 1953, and in the Eastern Hemisphere (exclusive of Russia) from 1,500,000 barrels daily in 1948 to 2,520,000 barrels per day in 1953. Although it was beyond the scope of the study to estimate future distribution of this foreign oil between consuming areas of the world, these increases in total foreign production should increase the availability from these sources for consumption in the United States. In this connection, it is important to note that consumption within the principal foreign oil-producing countries is relatively small, and the largest part of the output of those countries is available for use in other areas.

5. For the second 5-year period 1954–58, adequate information on which to base detailed estimates of availability of natural liquid hydrocarbons produced in the United States will not be avaliable for several years. From the best data now obtainable, no significant decline from the 1953 estimated rates is anticipated during following 5 years, but it is impossible to foresee definitely at this time the probable trends. However, as these trends become defined, and if a moderate decline in domestic output of natural liquid hydrocarbons should be indicated, supplementary sources of petroleum and its products are estimated to become available in larger volumes if needed. Large reserves of the raw materials for the synthetic production of oil exist in the form of natural gas, oil, shale, and coal. Future availability from these sources may be considered to be limited primarily by the practical considerations of the need for such production and the time, materials, and capital required to construct necessary facilities. Under the conditions set forth in the report, the availability of petroleum produced in foreign countries in both the Western and Eastern Hemispheres is estimated to increase further during the second 5-year period and provide additional supplementary supplies for consumption in the United States if needed.

6. Provided reserves of natural gas are at a relatively high ratio to consumption and, as distribution facilities are expanded, it is estimated that larger quantities of this fuel will be available to supplement liquid petroleum products in supplying the Nation's energy requirements.

ESTIMATED AVAILABILITY OF CRUDE PETROLEUM AND NATURAL-GAS LIQUIDS PRODUCED IN THE UNITED STATES

In estimating the availability of crude petroleum and natural-gas liquids produced in the United States, it was both necessary and desirable to consider a probable range within which this availability may reasonably be expected

to fall. Future availability can be measured only to the degree of accuracy that it is possible to measure the results of future operations in the search for, and development of, additional underground sources of supply. Within a limited future period, these results can be approximated. As the period is extended, the margin of error unavoidably increases due to a lack of the information that will later become available so as to permit a significant determination of the volume of oil found and developed. The following tabulations, therefore, show the estimates of future petroleum availability with an upper and lower range. The lower range may be considered as the minimum volume estimated to become available. The upper range represents the probable availability with more favorable results from exploratory and development activities, including unhampered leasing and development of the Continental shelf. For comparison, figures are included for actual production (not availabilty) during the preceding 10 years, 1939–48.

Domestic crude petroleum

[In thousands of barrels daily]

Actual production (per U. S. Bureau of Mines):		Actual production (per U. S. Bureau of Mines)—Continued	
1939	3,466	1944	4,584
1940	3,697	1945	4,695
1941	3,842	1946	4,751
1942	3,799	1947	5,085
1943	4,125	1948 (partly estimated)	5,500

	Average	Probable range from average	
		Lower	Upper
Estimated availability:			
1949	5,760	5,670	5,850
1950	5,995	5,840	6,150
1951	6,190	5,970	6,410
1952	6,330	6,050	6,610
1953	6,425	6,080	6,770

In addition to the foregoing figures covering crude petroleum, supplies of petroleum products are derived from natural-gas liquids. The actual production of these liquids and the estimated future availability are shown in the following tabulation:

Domestic natural-gas liquids

[In thousands of barrels daily]

Actual production (per U. S. Bureau of Mines):		Actual production (per U. S. Bureau of Mines):	
1939	[1] 141	1944	273
1940	[1] 153	1945	307
1941	222	1946	316
1942	228	1947	362
1943	240	1948 (partly estimated)	400

[1] Does not include some cycle condensate included in subsequent years.

	Average	Probable range from average	
		Lower	Upper
Estimated availability:			
1949	450	450	450
1950	475	470	480
1951	500	490	510
1952	520	510	530
1953	535	520	550

Combining the figures for crude petroleum and for natural-gas liquids gives the total volume of natural-liquid hydrocarbons produced in the United States as shown hereinafter:

Total domestic crude petroleum and natural-gas liquids

[In thousands of barrels daily]

Actual production (per U. S. Bureau of Mines):		Actual production (per U. S. Bureau of Mines)—Continued	
1939	3,607	1944	4,857
1940	3,850	1945	5,002
1941	4,064	1946	5,067
1942	4,027	1947	5,447
1943	4,365	1948 (partly estimated)	5,900

	Average	Probable range from average	
		Lower	Upper
Estimated availability:			
1949	6,210	6,120	6,300
1950	6,470	6,310	6,630
1951	6,690	6,460	6,920
1952	6,850	6,560	7,140
1953	6,960	6,600	7,320

As shown in the foregoing tabulations, the availability of liquid hydrocarbons (crude petroleum and natural-gas liquids) produced in the United States is estimated to increase during the 5-year period 1949–53. As compared with the 1948 production of crude petroleum and natural-gas liquids of 5,900,000 barrels daily, the average of the upper and lower range of estimated availability equals 6,960,000 barrels per day in 1953, an increase of 1,060,000 barrels daily over the 1948 production. The probable range in availability from this average figure of 6,960,000 barrels daily varies from a minimum of 6,600,000 barrels per day in 1953 to an upper figure of 7,320,000 barrels daily for that year. The lower range represents an increase of 700,000 barrels daily during the 5 years over 1948 production, whereas the upper range is equivalent to a 1,420,000-barrel-per-day increase over the 1948 output.

For the following 5-year period 1954–58, a lack of adequate information makes it impossible to present detailed estimates. Whether availability from natural sources within this country will be subject to a moderate decline, a maintenance of then existing levels, or a continuing increase after 1953 are questions that cannot be resolved at this time. In this connection, however, the study does not indicate any sharp or substantial decline in the availability of domestically produced crude petroleum and natural-gas liquids during the second 5-year period. Also, in this connection, the availability of petroleum from alternative or supplementary sources of supply, as set out in following sections of this report, must be considered.

SYNTHETIC PETROLEUM LIQUIDS

For a very long time the oil industry has been looking to synthetic fuels as one means of augmenting the petroleum supply of this country. It is estimated that private industry has already spent in excess of $100,000,000 in the development of synthetic processes. The industry is continuing to spend funds at a rate in excess of $10,000,000 a year and, as increased needs for synthetics should be manifested, far larger amounts would be applied to this field.

Already, processes for the conversion of natural gas, coal, and oil shale to oil products have been developed which are technically feasible and operable. A commercial plant is now under construction to convert natural gas to oil. At the present state of the art, refined products from coal and from oil shale are somewhat more costly than for natural petroleum, but it is possible that continued research and development work over the next decade will lead to processes for producing such products from one or both of these materials as cheaply as from natural petroleum.

The proved gas reserves of the country were estimated at 166 trillion cubic feet at the beginning of this year, whereas production in 1947 was at a rate of only

5.6 trillion cubic feet per year, or a ratio of reserves to production of almost 30 to 1. With this high ratio and with the probability that the reserves will continue to increase for the next few years as they have in the past, it seems reasonable that an increasing volume of gas could be dedicated to the synthetics industry without interfering with other demands for natural gas. The oil-shale reserves are known to be in excess of the equivalent of 100,000,000,000 barrels of petroleum. The coal reserves are so great that any estimate of potential synthetics from this source would be too large to be of real significance. There would certainly be adequate coal to supply the oil requirements of this country for many generations to come.

Based on the present plans of the industry and on the basis of present economic conditions, it is estimated that availability from synthetic production during the 5 years 1949–53, inclusive, will increase to approximately 30,000 barrels per day by the end of the period. This estimated production will be entirely from conversion of natural gas to oil. During the following 5-year period 1954–58, it is expected that synthetic production of petroleum products from natural gas will increase at an accelerated rate if needed, supplemented by a relatively small output from plants for the conversion of both oil shale and coal to oil.

In considering the foregoing outlook for synthetics, there is obviously a wide latitude for judgment because of the many conditions that might arise to change the conclusions significantly. Changes in the basic conditions. as set forth previously in this report, would have particularly important effects upon developments in the synthetic field. An additional factor bearing on this situation is the possibility of discovery of unexpectedly large new oil reserves.

FOREIGN PETROLEUM

Petroleum produced in foreign countries in both the Western and Eastern Hemispheres provides an additional source of supply for the United States, as a substantial portion of this foreign production has been developed and is being produced by American companies or their affiliates.

The following tabulation shows the total production of crude petroleum in foreign areas (excluding Russia) for the 10-year period 1939–48 and the estimated production for the 5 years 1949–53, inclusive:

Foreign crude petroleum

[In thousands of barrels daily]

	Western Hemisphere	Eastern Hemisphere (exclusive of Russia)	Total foreign (exclusive of Russia)
Actual production:			
1939	914	713	1,627
1940	877	666	1,543
1941	989	584	1,573
1942	727	568	1,295
1943	823	673	1,496
1944	1,067	662	1,729
1945	1,256	719	1,975
1946	1,434	887	2,321
1947	1,592	1,061	2,653
1948 (mid-year estimate)	1,750	1,500	3,250
Estimated production:			
1949	1,900	1,680	3,580
1950	2,060	1,840	3,900
1951	2,250	2,080	4,330
1952	2,450	2,260	4,710
1953	2,490	2,520	5,010

The foregoing figures do not include a relatively small volume of allied liquid hydrocarbons and synthetic production amounting to approximately 50,000 barrels daily in 1948 which is estimated to increase to about 70,000 barrels per day in 1953, approximately one-fourth of which is from the foreign Western Hemisphere and three-fourths from Eastern Hemisphere sources.

With regards to these figures on foreign production, it should be noted that they are total quantities for use in foreign countries as well as supplying the import requirements of the United States. World distribution of these supplies involves questions of estimated oil demands and political considerations beyond

the scope of this study. However, certain observations may be made with relation to the availability of this foreign production for consumption in the United States.

Petroleum produced in foreign countries of the Western Hemisphere has been, and is being: (1) consumed in the foreign nations of the Western Hemisphere; (2) exported for consumption in the United States; and (3) exported to Eastern Hemisphere countries to meet that hemisphere's deficiency in oil supply. Petroleum produced in the United States is also being supplied to meet a portion of the deficiency in Eastern Hemisphere output. An increased availability of foreign production for consumption in the United States may be expected as a result of increased Eastern Hemisphere production, making that area no longer dependent upon Western Hemisphere sources. To the extent that this may occur, it will obviously increase the availability of Western Hemisphere oil for use in the United States and other Western Hemisphere nations. In this connection it will be noted that the estimated production in the Eastern Hemisphere (excluding Russia) increases from 1,500,000 barrels daily in mid-1948 to 2,520,000 barrels per day in 1953, a rise of approximately 70 percent in the 5-year period. Foreign Western Hemisphere production is estimated to increase by about 40 percent during this same period, from 1,750,000 barrels daily in 1948 to 2,490,000 barrels per day in 1953. Oil consumption in the principal foreign oil-producing countries is relatively small, with the largest part of the output in these countries being available for export.

For the second 5-year period 1954–1959, foreign production is expected to continue to increase. In view of the large volume of proved reserves, production from Eastern Hemisphere sources may be expected to continue to increase at a faster rate than in the foreign Western Hemisphere.

NATURAL GAS

In view of the assignment to study the supply of petroleum liquids, no estimates of the availability of natural gas have been prepared other than a consideration of that portion of the gas for conversion into liquid products. However, the relationship of natural gas to petroleum liquids is an important factor in the over-all availability of fuels to supply the Nation's energy requirements.

The three principal sources of energy in the United States are coal, oil, and natural gas—with water power playing a lesser role. For many uses, these three fuels are directly competitive.

As previously stated, the proved reserves of natural gas have increased steadily, and were estimated at approximately 166 trillion cubic feet at the beginning of the year 1948. These proved reserves are at the relatively high ratio of approximately 30 to 1 to present consumption, and there is no question that availability of this fuel at the producing wells considerably exceeds present distribution facilities. As distribution facilities are expanded, a larger and larger volume of natural gas will be made available to supply over-all fuel needs in this country. To this degree, therefore, natural gas is closely related to the availability of liquid petroleum, and it represents a highly important supplementary source of fuel energy.

Mr. BROWN. Mr. Chairman, before calling the other witnesses, I will just make a remark or two in advance as to what we are talking about here, to call attention to what we are going to cover. I want to hand out these charts, if I may.

The charts that I have given you are designed to reflect the imports into the United States of petroleum, and its products since 1928, and we have set forth thereon the various actions that have affected these imports. Then, after getting here today, I thought it might be of interest, to superimpose, by pencil, the gasoline prices at certain strategic times. I am just calling that to your attention, so that as the testimony goes along, you will have that before you.

What we are really talking about here is petroleum, which is the principal element of supply in the largest armed service in the world, and that is the armed service of the United States.

The first trade agreement that was made with relation to petroleum was in 1939. At that time we had in the United States from domestic sources, a supply of petroleum equal to our demand, with a reserve producing capacity of about a million barrels.

The CHAIRMAN. That was in 1939?

Mr. BROWN. That was in 1939.

Following that, we did have an emergency that called upon the use of that excess capacity, and that was World War II. That excess proved a very helpful thing at that time, and did enable us to take up the slack that was brought on us by the interruption of transportation of foreign oil into this country.

Since 1939, when the first trade agreement was effective, we have gone off in our ability to meet our domestic demands, until last winter, a year ago, 1947–48, we came very near having a shortage of oil in this country, so much so that some people actually suffered and many were greatly concerned that they might suffer as a result of the shortage of oil.

Today, and for the last several years, our armed services have been dependent for a large part of their oil on two sources outside of the United States, one in the Middle East, which is controlled largely by two Moslem rulers, and that being very near the Russians and certainly far from our sources; and the other in South America, where it is under the control of one of the Latin-American governments that can, and has in the last year, as a matter of fact, changed overnight.

I simply mention that to illustrate the uncertainties of depending on a foreign source for our military requirements.

Some suggestion has been made that we might be benefited and protected through the relief causes that are provided in these agreements. I know Mr. Hull was very anxious that that protection be accorded us. We talked to him many times. That has not worked, and the vice is that there is no way of getting open testimony before the committee; and as a matter of fact it is by secret testimony that many of their actions are determined.

Resulting from the importation, as you have seen there, our domestic production has, within the last 3 months, lost almost 10 percent of its market. We have had to reduce our production within the United States something over 500,000 barrels.

I mention those things in the beginning, just to give you a little of the background, and if I may, I would like to ask Mr. Wirt Franklin to now appear. I will be here through the course of the testimony of the witnesses, who are here from different areas, and we will be glad to make all of the witnesses available for questions.

Senator CONNALLY. Mr. Chairmain, may I ask a question?

The CHAIRMAN. Senator Connally.

Senator CONNALLY. I would like to ask: How is the price of crude now?

Mr. BROWN. The price of crude now, I should say, averages around $2.60 or $2.65.

Senator CONNALLY. How does that compare with the price of crude back 2 or 3 years ago?

Mr. BROWN. It is much better. Since the war we have had a better price.

The CHAIRMAN. Senator Hoey?

Senator HOEY. What is it that accounts for that reduction in production?

Mr. BROWN. The imports that have come in have taken the market away from us, and there is just no market outlet for it. So we have sufferer a severe cut-back.

Senator MILLIKIN. Mr. Brown, in connection with the whole range of territory, it might be well to develop the higher costs of production both in labor and materials.

Mr. BROWN. Fine. We will do that as we go along, if we may. Mr. Wirt Franklin will testify now.

The CHAIRMAN. Mr. Franklin, you may be seated if you wish.

STATEMENT OF WIRT FRANKLIN, INDEPENDENT OIL OPERATOR, ARDMORE, OKLA.

Mr. FRANKLIN. Thank you, Senator. I believe I would prefer to stand.

My name is Wirt Franklin. I reside in Ardmore, Okla., and I have been a producer of oil for about 35 years.

I first came to Congress on this question of imports affecting the oil industry 19 years ago. That was shortly after the Colorado Springs so-called conservation congress, which was called by Mr. Mark Requa, on the authority of President Hoover, ostensibly to conserve the petroleum resources of the United States. It had been preceded by what I call false propaganda concerning our petroleum reserves for a period of 3 years, in articles in the newspapers, magazines, and other means of publicity, to show that this country was running out of oil. And unless some steps were taken to prevent it, we would soon be at the mercy of some foreign country with larger supplies.

It was even stated, at that conference, that our national security was involved.

So the Colorado Springs congress developed into a reservation congress, instead of a conservation congress, and it was proposed that we should shut up our petroleum reserves, stop development, stop exploration, leave the oil safe in the ground, undiscovered and undeveloped, and furnish our markets as far as possible with imported oil.

I was at that congress representing, among others, the State of Oklahoma. I unhesitatingly and emphatically denounced such a policy, pointing out that our civilization was based upon oil, that the whole southwestern part of the United States would be laid waste and destroyed by such a policy, almost as much as if an invading army were to march across it; that the rest of the United States industrial activity would likewise suffer, because of the loss of purchasing power; that the army of technical men engaged in the petroleum industry with the know-how to discover and develop oil, would be dispersed, unless they wished to go to some foreign country

to work, and that if a national emergency did occur, and we should lose control of our ocean lanes, we would be completely helpless if we got into a war with a first-class power.

I stated then, and I repeat now, that the only safety this country has, the only security we have, is to at all times have developed a producing capacity within the continental borders of the United States to supply our requirements both for peace and war.

Now, I appear before you not so much because of the evil effects that these increasing imports may have upon the welfare of the small independent producer, although that is a very important factor; but because the most important thing is that if we rely upon these foreign sources of supply, and if the emergency happens, we will be helpless.

Now, that has been illustrated in two world wars. You well recall that in the First World War British statesmen said, "The Allies floated to victory on a sea of oil." And who furnished it? The United States. And in the last World War we were unable to shift oil from the Gulf coast to the Atlantic seaboard. Even one tanker couldn't get through. And tankers were sunk in the mouth of the Mississippi River, which made necessary the construction of what has been called the Big Inch pipe line to transport the oil to the Atlantic seaboard from that southwestern country, so that convoys could take it safely to Europe for our armed forces.

What are we talking about? I wonder if you gentlemen realize that the oil and gas produced in the United States is 44 percent of all the metallic and nonmetallic mineral wealth produced in the United States.

In that connection, Mr. Chairman, I should like to introduce for the record a brief statement and tabulation on "Oil and Gas in the National Economy."

The CHAIRMAN. Very well.

(The statement and tabulation are as follows:)

OIL AND GAS IN THE NATIONAL ECONOMY

The important role of oil and gas in our national economy is revealed by the figures on the production of all minerals, both metallic and nonmetallic. From the development of our mineral sources, a large part of the income and wealth of the Nation is generated and flows out to every segment of American life.

According to information recently released by the United States Department of the Interior, the output of all minerals in the United States in 1948 was valued at 15.6 billion dollars. Of this total wealth created, over 6.8 billion dollars or 44 percent came from crude petroleum, natural gas, and allied petroleum products. In other words, without oil and gas the Nation's income from its natural resources would be cut almost in half.

Oil and gas development is important not only to the Nation as a whole but also to many of our States. In 20 States oil and gas is among the first three mineral resources in terms of value. The attached table shows the place that oil and gas have in the economy of these 20 States based on the year 1946, the latest year for which complete Government statistics are available.

Mineral production in 20 oil- and gas-producing States, 1946

[Figures in thousands of dollars]

State	Principal mineral products in order of value					
	First		Second		Third	
	Product	Value	Product	Value	Product	Value
Arkansas	Petroleum	$35,400	Coal	$9,024	Bauxite	$6,394
California	do	393,300	Natural gas	134,750	Natural gasoline.	36,769
Colorado	Coal	22,619	Petroleum	16,360	Zinc	8,819
Illinois	do	160,764	do	119,420	Stone	16,891
Indiana	do	55,418	Cement [1]		Petroleum	10,750
Kansas	Petroleum	138,800	Natural gas	55,760	Zinc	11,639
Kentucky	Coal	216,496	do	36,800	Petroleum	17,340
Louisiana	Petroleum	204,950	do	90,180	Natural gasoline.	21,112
Michigan	Iron ore	28,297	Petroleum	27,770	Cement	16,727
Mississippi	Petroleum	30,400	Natural gas	1,656	Sand and gravel.	1,533
Montana	Copper	18,947	Petroleum	12,710	Natural gas	8,640
New Mexico	Petroleum	44,650	Potassium salt.	27,187	do	18,774
New York	do	18,650	Cement	17,547	Stone	12,086
North Dakota	Coal	4,655	Sand and gravel.	726	Natural gas	126
Ohio	do	100,675	Clay products.	39,729	do	29,400
Oklahoma	Petroleum	193,600	Natural gas	76,000	Zinc	16,970
Pennsylvania	Coal	868,343	Petroleum	49,470	Cement	48,294
Texas	Petroleum	1,063,550	Natural gas	268,620	Natural gasoline.	79,326
West Virginia	Coal	520,349	do	76,500	Petroleum	9,880
Wyoming	Petroleum	46,000	Coal	23,103	Natural gas	7,875

[1] Value not shown.

Source: U. S. Department of the Interior.

Mr. FRANKLIN. It is important to the whole national economy that that industry be not destroyed or injured. It is important not only from the standpoint of national defense, but from the standpoint of the national economy.

Take oil out of the Southwest and rely upon imported oil, and the welfare of our people would go back 50 percent, and we would go back to the pastoral age, because oil supports such manufacturing industry as we have. And all of the industrial United States has the best markets in all the world among the people of the oil-producing States. That is a factor to be considered.

We thought that Congress had established an oil policy. When we came to Washington 19 years ago, we found that most of the Government officials here and many members of Congress had believed this propaganda about the exhaustion of our petroleum reserves; and still, after that, we built up this more than one million barrels of excess productive capacity, over the demands for oil. And it was that excess capacity, gentlement of this committee, which saved us in this last war.

And we must not let anything interfere with our doing that same thing again, due to the fact that we will need an increased supply. Because of larger consumption of our bombers and our defense forces, we will need an increased productive capacity over and above that amount needed for the domestic market, of two or three million barrels. Have it developed. Have it all ready. So that when the emergency occurs, if it does, we can call upon it to supply our armed forces.

In 1932, the Congress, after extensive hearings before the Ways and Means Committee of the House, and this committee—some of you gentlemen were present at those hearings, enacted an excise tax of a half cent a gallon or 21 cents a barrel on crude oil, fuel oil, gas oil, as well as 2½ cents a gallon on gasoline, 4 cents a gallon on lubricating oil, 1 cent a pound on petroleum wax, and all other liquid derivatives, not specified, took the rate of crude oil.

That was a declaration of policy which has been consistently followed by the Congress, but has not been adhered to by the executive branch of the Government, as I will show.

Mr. Brown has already referred to the agreement with Venezuela, by which the tax on crude, top crude, and fuel was reduced 50 percent, and immediately thereafter imports increased.

The chart which Mr. Brown has given you shows clearly the effect of the tax. And the strange thing about it is that the opponents of this policy say that we ought to let it all come in so that the consumer would have cheap gasoline.

Look at your chart, and you will see that the highest prices for gasoline are at the times when there is more oil imported. That is history. So that argument doesn't work very well.

The best safeguard for the consumers of the United States is to have a free, really operating, competent, efficient domestic oil industry, with competition that will take care of the price.

In 1943 there was a further reversal of the congressional policy under the Reciprocal Trade Agreements Act.

Before I leave that Venezuela agreement, though, I want to call your attention to one thing: That when that was done a quota was established, under the Trade Agreements Act, that only an amount equal to 5 percent of the domestic refinery runs would be entitled to that reduction in tax, and if any more than the quota of 5 percent were imported, it would pay the full tax that had been enacted by Congress.

Now I see the President is asking for more money. There is considerable opposition to his general increase in the taxes over all. But why not restore the tax that Congress enacted and let this foreign oil that is imported into this country help to pay the expenses of the Government? Do you know that oil enters here and pays no tax whatever, while the oil industry throughout the United States is subjected to taxes too numerous to count, by the States and the different subdivisions of Government?

Is it not fair that this foreign oil pay something to support this Government when they expect the protection of this Government throughout the world in their operations, and get it? And get a lot of encouragement?

I just say that in passing. I think it ought to be restored. It will help to bring in some money to help pay the costs of Government.

In 1943, in the agreement with Mexico, the tax was reduced by 50 percent on kerosene, asphalt, and road oil, and the quota that had been in the Venezuelan agreement was removed. No quota.

Then in the Geneva agreement, of course, the same policy was carried through.

I neglected to say that as a result of the Colorado Springs conference the Independent Petroleum Association of America came into being to try to protect the domestic oil industry from extinction.

Senator MILLIKIN. Mr. Franklin, you understand that the State of Colorado is a very hospitable State and we entertain all kinds of people out there.

Mr. FRANKLIN. I do.

Senator MILLIKIN. I hope you do not attribute this fault to our State.

Mr. FRANKLIN. I don't attribute it to the State in any way whatsoever, because the men who attended it were from all over the country, and the whole oil industry was well represented, from the importing oil companies, the major companies in the United States, to the independents, and also representatives from every oil-producing State. There are now 24 oil-producing States in the United States, and that number is rapidly being increased, as you have noticed. Since that time the Southern States, Mississippi and Florida, and Alabama, have come into the producing category. The Dakotas are now being prospected. And as I stated at that time, the whole plains country, including the Rocky Mountains, from the Canadian border to the Gulf of Mexico, is prospective oil territory.

When these propagandists try to tell you that we are running out of oil, don't believe them. There is nothing to it. If we are given the go-ahead sign by this Government, we can continue to discover oil in this country, develop it, and have it ready for the national security, and for the requirements of the people for an indefinite number of years to come.

But if they take away our steel supplies, if the executive branch of the Government, under the export controls, say it is more important to develop oil in Saudi Arabia, and to build pipe lines there than it is to furnish pipe to the domestic producer of oil in the United States, and we can't get any pipe to drill our wildcat wells unless we pay 400 percent of its list price at the mill in the black market—then we can't do it.

Those are the conditions we have faced this last year.

And even under those adverse conditions, we have increased the production in the United States in the last 12 months more than 500,000 barrels a day, and the shortage which was decried a year ago has now disappeared, and we have today a sufficiency of oil in the United States for our requirements.

In that connection, if Senator Connally will give me his consent, I would like to read from a letter addressed to Senator Connally by the Secretary of the Interior.

May I have your permission, Senator?

Senator CONNALLY. Oh, yes.

Mr. FRANKLIN. This was in answer to a letter that Senator Connally wrote the Secretary, sending the Secretary a letter from one of Senator Connally's constituents, G. A. Bodenheim, of Dallas.

Senator CONNALLY. Longview.

Mr. FRANKLIN. Longview, is it?

Senator CONNALLY. Yes. There is some mistake. He lives at Longview. He probably attended a meeting or something over there.

Mr. FRANKLIN. He was writing from Dallas at the time he wrote the letter.

The Secretary says:

I think there is no question that oil imports are one of the things which have had an effect on the output of oil in Texas.

Now, what does he mean? These imports increased last year until in December the imports had gotten up to the enormous figure of an average of 645,000 barrels a day. He says:

You will recall that during the last year, the United States was confronted with a shortage of petroleum.

Senator CONNALLY. What is the date of the letter?
Mr. FRANKLIN. February 17.
Senator CONNALLY. This year?
Mr. FRANKLIN. Just the other day, yes.
Senator CONNALLY. That was for the record.
Mr. FRANKLIN (continuing the letter):

Every effort was made by private industry, with the encouragement of Government to increase both domestic and foreign production, while at the same time encouraging imports of oil, and discouraging, through export controls, petroleum exports.

I want to stop right there and say that shortage we had last year was more a shortage of distribution than it was a shortage of oil.

Now I will go on with the letter:

The State of Texas, which is by far the greatest single factor in the United States, as well as in the world petroleum picture, was urged to produce every possible barrel of oil that could be brought to the surface without physical waste. As a result, the output of oil in Texas increased from 2,042,000 barrels a day in January 1946 to 2,553,000 in December 1948. During the same period, United States exports of oil declined from 403,000 barrels a day to about 341,000 barrels a day. Oil imports into the United States increased from 374,000 barrels a day to 645,000 barrels a day.

Now, these are official figures, because they come from Secretary Krug, and his Bureau of Mines, of course, keeps accurate tab on all of these figures.

I am going to read one more sentence in the next paragraph:

Meanwhile, although demand for oil in the United States continued to increase, the supply of oil increased even more rapidly, so that at the end of 1948 the United States had reestablished domestic self-sufficiency.

That is quite contrary to a lot of stuff you read in the magazines and the newspapers.

I will skip the rest of that paragraph.

At the same time, it must be remembered that the United States has for many years imported petroleum and petroleum products even when the productive capacity here at home was as much as a million barrels a day higher than actual production.

Moreover, there is, of course, no statutory authority for the Federal Government to limit oil imports. While it is of the highest importance that imports of foreign oil not be permitted to undermine the domestic petroleum industry, the policy question involved in their limitation can only be resolved by the Congress.

That is the point I wanted to make, and I am glad that Secretary Krug agrees with the recommendations that the National Petroleum Council have made, and which for so long have been sustained and advocated by the Independent Petroleum Association of America.

Senator MILLIKIN. Does Secretary Krug advocate that we put on a quota?

Mr. FRANKLIN. He doesn't say so. He says the policy must be resolved by Congress.

Senator CONNALLY. He just said, a little higher up there, though, that Congress could not limit imports, did he not?

Mr. FRANKLIN. No; he said he couldn't limit them. But he said the Congress could.

Senator CONNALLY. All right.

Mr. FRANKLIN. I will skip a little now.

The need for continuing search for and development of new sources of oil, including synthetics, within our borders remains a matter of the greatest urgency.

He is right, thoroughly right. And this Congress should reenact that policy. Let us have a national oil policy, under which this Nation will be secure, no matter what happens.

Now, if you rely upon the oil in the Near East, in Iran, Iraq, Saudi Arabia, Kuwait, as advocated by those high in the executive branch of the Government, when they said it was more important to furnish them the steel than it was the producers of the United States—gentlemen, if you rely on that, you are relying on a false base. The Russian Army is concentrated along that border. If we get into trouble with Russia it won't be 30 days until we lose all of that oil, until we lose all of the vast wealth that we have sent over there to develop it and build the pipe lines. And then what recourse have we?

We send our bombers over there, and destroy our own installations, to keep the Russians from getting the benefit of it. Is that sensible?

How much more important it is to follow the precedents of the First World War and the Second World War and have a supply of oil at home, where we can produce it and use it, and where these long-range B–36's that now have a radius of 13,000 miles and can bomb any part of the world and return to the home base, from our bases within the United States, can use this oil here and protect us from any encroachment by any power whatever.

Now I would like to show you how this policy has been advocated, how it has been announced, how it has been followed, by reading a few extracts.

This is from the Petroleum Industry War Council, during the war.

1945—ORIGINAL BASIC POLICY OF INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA REAFFIRMED BY PETROLEUM INDUSTRY WAR COUNCIL

* * * Now, therefore, be it

Resolved, by the Petroleum Industry War Council, assembled on this 24th day of October 1945, in Washington, D. C., that it does declare that in the public interest of maintaining national security it should be the policy of this Nation to so restrict amounts of imported oil so that such quantities will not disturb or depress the producing end of the domestic petroleum industry, and only such amounts of oil should be imported into this country as is absolutely necessary to augment our domestic production when it is produced under conditions consonant with good conservation practices.

That was in 1945. In 1946, the Independent Petroleum Association restated its national oil policy:

The national security requires a policy as to petroleum imports which will not retard the exploration and development efforts in the domestic industry.

It should be the national policy to restrict petroleum imports to such amounts only as are necessary to augment our domestic production when it is carried on under conditions consonant with good conservation practices.

Senator CONNALLY. May In interrupt you right there?

What kind of conservation practices?

Mr. FRANKLIN. The conservation practices of not permitting underground or above-ground waste in the production of oil, Senator. To bring too much oil to the surface is a waste, even though you put it in the best steel tankage we have yet been able to devise.

Senator CONNALLY. My State has already adopted conservation measures, and they limit the amount of oil that can be produced in each well.

Mr. FRANKLIN. The State of Texas, as well as Oklahoma, Kansas, Michigan, Arkansas, New Mexico, and others, have adopted conservation laws.

Senator CONNALLY. How about California?

Mr. FRANKLIN. California has not. Oklahoma was the first to set the policy, in 1915, and since then those other States that I have named have followed suit. And oil is produced under conditions that will not permit waste either under ground or above ground, and at what is not to exceed the maximum efficient rate of production. Because to exceed the maximum efficient rate of production means that you dissipate the gas that is in solution with the oil; and that gas escapes into the air and is lost forever, and the propulsive force which brings the oil to the bore hole is then dissipated, and a greater percentage of oil is recovered ultimately under these conditions than if the wells were allowed to produce without limit and dissipate that reservoir energy. Briefly, that is the story, and Texas is following that.

Then, as to the above-ground waste, even though you put it in steel tanks and make them as tight as you can, there is a great loss by evaporation. And it is the most valuable, most volatile portions of the oil which escape by evaporation, leaving the heavy oils in the tanks, and that loss is severe.

So it is now recognized that only such oils should be brought to the surface as are necessary to meet consumption requirements, plus a reasonable working stock to fill the pipe lines, pump stations, the storage at the refinery, what are known as working stocks. And it takes something like 500,000,000 barrels to supply those adequate working stocks, both in crude and refined products. And we should not exceed that.

The best place to store oil is in the ground, where nature put it. Nature's storage is the best. There it keeps the best. If we can have the productive capacity to fall back on, then we can draw on the underground storage.

Now, I would like next to refer to the report of the Senate special committee, commonly known as the O'Mahoney committee, which made an exhaustive study of petroleum and, in their report to the Congress, agreed with the policy which I have already outlined.

Senator MARTIN. What was the date of that, Mr. Franklin?

Mr. FRANKLIN. January 31, 1947.

Every American unit is in the national commitment to dedicate our country's energies and its will as well as its hopes and prayers to the establishment of world peace. International understanding in both commercial and political fields is the aim of our people. But, until that understanding is achieved, the United States must under no circumstances abandon to chance its industrial and military capactiy to uphold its ideals.

This Nation now faces two alternatives: Either (1) to await with hope the discovery of sufficient petroleum within our boundaries that the military requirements of the future will occasion no concern, and in the meantime to depend upon foreign oil and trust that war will not cut off our imports; or (2) to take steps to guarantee a domestic petroleum supply adequate for all eventualities by means of—

(*a*) Incentives to promote the search for new deposits of petroleum within the boundaries of the United States and in the Continental Shelf; and

(*b*) The continuation of the present program looking to the manufacture of synthetic fuels to supplement our domestic crude supply.

All the facts before us impel the choice of the second alternative. Therefore, the first principle of American petroleum policy should be to sustain our domestic supply of petroleum and to maintain the American system of competitive free enterprise at home and abroad. The second principle is to make human freedom the cornerstone of our policy, liberty and opportunity for people without discrimination or restraint, both within and beyond our borders.

I think that is as fine a statement of it as could be made. And, as I said, that report was made after a very exhaustive study, lasting over many months.

Now, I have referred to the trade agreement at Geneva. That was effective January 1, 1948.

I read awhile ago the Petroleum Industry War Council's statement on this subject. Here is a body that was created since the war, appointed by Secretary Krug to advise him, the National Petroleum Council. Secretary Krug asked the Council for a statement of policy on this question of our oil supplies, as related to imports, and here is what the Council reported:

The national security and welfare require a healthy domestic oil industry.

Continuing supply to meet our national oil needs depends primarily on availability from domestic sources. Due consideration should be given to the development of foreign oil resources, but the paramount objective should be to maintain conditions best suited to a healthy domestic industry which is essential to national security and welfare. To this end, adequate and equitable availability of essential materials is a fundamental requisite.

I referred to that a while ago as to sending steel over to Saudi Arabia instead of letting us have it here at home.

The Nation's economic welfare and security require a policy on petroleum imports which will encourage exploration and development efforts in the domestic industry and which will make available a maximum supply of domestic oil to meet the needs of this Nation.

The availability of petroleum from domestic fields produced under sound conservation practices, together with other pertinent factors, provides the means for determining if imports are necessary and the extent to which imports are desirable to supplement our oil supplies on a basis which will be sound in terms of the national economy and in terms of conservation.

The implementation of an import policy, therefore, should be flexible, so that adjustments may readily be made from time to time.

Imports in excess of our economic needs, after taking into account domestic production in conformance with good conservation practices and within the limits of maximum efficient rates of production, will retard domestic exploration and development of new oil fields and the technological progress in all branches of the industry which is essential to the Nation's economic welfare and security.

Now, that is a policy that this Congress has long recognized. And it ought to be made effective. I tell you, gentlemen, if imports of oil are allowed to increase, so as to shut back our production in this country, and destroy the market demand for oil produced by these men who have gone out over the country and explored and discovered oil, and developed it, that work will stop, and in a few years we will

be dependent on foreign oil. Because if you take away the market, where are we going to get the money to discover the new supplies?

I don't know, I can't predict what effect increasing imports may have on our price situation. I know what effect it had the last time. We had 25-cent oil in the midcontinent field, 25- to 75-cent oil. In the east Texas field it went to 10 cents a barrel.

Senator CONNALLY. Well, that was because of the flush production, was it not? And no conservation and no regulation?

Mr. FRANKLIN. It was because of both factors.

Senator CONNALLY. They just took the bridle off and squirted all the oil out at once.

Mr. FRANKLIN. The producers were largely responsible for the 10-cent oil. I will agree with you, Senator, on that. But the other prices that were in effect before that flood of east Texas oil came on, went down to less than a dollar a barrel, to 25 cents, 50 cents, and 75 cents, and under those conditions we can no longer produce oil in this country. Why? We could when we were getting production at 500 to a thousand feet. But today, when you drill a wildcat well, unless you go 10 or 12 thousand feet deep you don't consider it a test. And we have wells now producing over 14,000 feet deep. A wildcat well is 10,000 feet leep now costs all the way from $150,000 to $300,000, depending upon the formations and the kind of luck you have.

However, those fields, once they are discovered, are usually long-lived and produce lots of oil. But you have got to get all of that money back that you spend in drilling before there is a penny of profit, and those wells—those wildcat wells—will never be drilled if the foreign oil takes our market away from us and our price structure is destroyed.

Now, I know it is argued that the consumers' welfare has more importance than the oil industry; that there are more consumers than there are men engaged in the oil industry. Of course, I can't controvert those figures. But let's examine the situation. Look at that chart and see if gasoline was any cheaper to the consumer when the imports were large; they were not; and remember, if the domestic oil industry is allowed to retrogress and to go backward, we may have the production and the industry in the United States controlled by the same seven companies that control all the foreign supplies.

Now, I am not making that as a charge. I don't think they want it. I am not charging them with an overweaning desire to form a monopoly. But if these policies are established which allow the imports to destroy the domestic oil producer, it will follow as a logical result, whether they want it or not.

Senator MILLIKIN. Mr. Franklin, the high-cost producer is the fellow with the small well, is he not?

Mr. FRANKLIN. That depends upon the depth.

Senator MILLIKIN. Well, if you have a stripper well, it is always high cost to the producer.

Mr. FRANKLIN. Yes.

Senator MILLIKIN. He is the first one to be wiped out, and you never can bring him back. His well is lost. Is that not right?

Mr. FRANKLIN. That is right.

I am glad you brought that up because I was about to overlook it.

Now, you know that every oil well that is drilled, finally, in its turn, becomes a stripper.

Senator MILLIKIN. That is right.

Mr. FRANKLIN. And we have about 5,000,000,000 barrels of our reserves under the stripper wells, and under secondary recovery enormous amounts of oil can still be produced at a slow rate, at an adequate price, from these stripper wells. Those reserves should not be destroyed.

Still, if the imports take the markets, and oil falls below a price where those wells can be operated, they eventually are all abandoned, and the reserves which they represent then are lost to the United States forever. That is very important.

Senator MILLIKIN. What percent of your daily production comes from the smaller wells?

Mr. FRANKLIN. Well, as to what are known as the stripper wells, I don't have the figures here except from memory, but I would just guess at something like 500,000 barrels a day are being produced by the stripper wells.

Senator MILLIKIN. That is a sizable amount.

Mr. FRANKLIN. It is a sizable amount. It is very important to the national economy.

Senator MILLIKIN. And a critical amount, if you were in a touch-and-go situation.

Mr. FRANKLIN. It certainly would be a critical amount in the event of an emergency.

Senator CONNALLY. Just for the sake of the record, not that I wish to question your statement: A stripper well is a well that has had what is called its flush production, and has gone down in the amount of oil it produces. Of course, it is more expensive to get the oil out of the stripper well than it was when it was flowing.

Mr. FRANKLIN. That is right. The less the production per day from a well, the higher the lifting cost.

Senator CONNALLY. That is right.

Senator MILLIKIN. And if you do not lift, when you try to go in and reactivate the well, you are usually in water.

Mr. FRANKLIN. That is right. The water will take it.

Senator MARTIN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Senator Martin.

Senator MARTIN. When these wells are lost by reason of inactivity, can they be restored again?

Mr. FRANKLIN. In some cases they can. More often when a stripper well is shut down, it has reached a stage where there is several times as much salt water being pumped as there is oil. And when they are shut down, the water comes into the hole, displaces the oil, drives the oil back from the hole, and after a long shutdown, when you go in sometimes you have to pump water for months before you begin to get any oil at all, and in some cases you never get any more oil, even though you try.

Senator MARTIN. And it would not be profitable to redrill those fields.

Mr. FRANKLIN. It is not profitable. It is impossible to think of drilling them over again after they have reached the stripper stage. That is because it is just like you were drilling a new field, as to cost. When they are once abandoned they are gone for good.

Senator MARTIN. Then that investment has to be just struck off the books as far as the United States is concerned.

Mr. FRANKLIN. That is right, Senator.

Now, gentlemen, I am going to suggest a remedy here. It is not drastic. It follows the precedent set by the State Department in the Venezuelan treaty. And I think it ought to be carried as part of the renewal of the Reciprocal Trade Agreements Act. Maybe not in this exact language: I am only submitting it to you as an idea which should be incorporated.

This is on the theory that the domestic industry is entitled to supply the domestic market, first, for the reasons of national security. That is the important factor. [Reading:]

In view of the essentiality of petroleum to the security of the United States, it is in the interest of the Nation that the domestic petroleum industry be placed in position so it will be capable at all times of supplying national petroleum requirements. To this end, it is suggested that an amendment to the pending bill be made, providing in substance the following:

"Quotas for the amount of petroleum and petroleum products to be imported into the United States shall be provided, limiting the total quantity imported from all countries in any year to an amount not to exceed the total exports of petroleum and petroelum products from the United States for the previous year. Quotas established under this provision may be suspended during any period of inadequacy of petroleum supplies to meet current national petroleum requirements."

I want to say to you that we have a large refining capacity in the United States. During peacetime, we could import oil from Venezuela to be refined in those refineries, and reexported. That would be in bond, and it wouldn't have any effect on the picture. Still it would furnish American labor with employment. We have no objection to that. We think it would be good.

But keep this thing in mind which I cannot emphasize too strongly—the national security. You won't have any national security unless you make a healthy climate for the contining discovery and development of oil supplies in this country. And we have the territory within which this exploration can be made. We have enough oil for the oil age; until perhaps, at some future time the atom may supersede it. Why, between the Midcontinent field in the Southwest, and Florida, there are 2,000 miles of what is known as updip wedge-out, geological territory suitable for the accumulation and formation of oil. Those are what are known as stratographic traps. They cannot be found except by the drill. None of our geophysical instruments yet devised makes it any more possible to explore for these stratographic traps.

Senator CONNALLY. May I ask you a question right there?

Mr. FRANKLIN. Yes.

Senator CONNALLY. What is the latest authentic estimate as to the petroleum reserves in the ground in the United States?

Mr. FRANKLIN. Discovered, available? Our petroleum reserves in the United States exceed 24,000,000,000 barrels, including liquid hydrocarbons that are produced in the gasoline plants in the fields; over 24,000,000,000 barrels.

Senator CONNALLY. All right.

Mr. FRANKLIN. And contrary to the predictions of all these pessimists who, for 30 years have been saying the United States is running out of oil, we have increased our reserves from 5,000,000,000 barrels to 24,000,000,000 barrels, at the same time that we have been supplying an ever-increasing demand, which rose so fast it would seem impossible

for us to keep up with it. We are now ahead of it again, and have added 500,000 barrels in the last year to our productive capacity, and can continue to build it up for national security reasons, to be produced when we need it in an emergency.

Gentlemen, give us that protection, not for us, but for the welfare and safety of the United States.

I thank you very much.

Senator MARTIN. Mr. Chairman, might I ask a question, just before we leave this 24,000,000,000 barrels of reserve?

Is that practical under present methods, to raise that oil, Mr. Franklin?

Mr. FRANKLIN. Yes, all of that oil can be produced. That is 24,000,000,000 barrels of recoverable reserves.

Senator MARTIN. Recoverable reserves.

Mr. FRANKLIN. Yes; and, of course, that wouldn't recover all the oil that is in the ground.

Senator MARTIN. No; I know that.

Mr. FRANKLIN. It has been estimated by some good geological and engineering authorities that our stripper wells are underlaid with a great deal of oil. For instance, in Pennsylvania, after they have used the secondary reserves, one of the Pennsylvania producers tells me, they still have, after they get everything they can by secondary recovery, a very large remainder. Their analysis of cores taken in the fields of Pennsylvania shows that there will still be left 700,000,000 barrels of oil in Pennsylvania that cannot be recovered by presently known methods.

Senator CONNALLY. Mr. Franklin, was it not the history of the first majory oil discovery in Texas, the one at Beaumont, the Spindletop, that after they had exhausted what they thought was all the oil in the Spindletop reserve, did not the Yantley Co. go ahead on the same ground and drill down to a lower depth and discover another great field of oil?

Mr. FRANKLIN. That is true. And the best place to wildcat for oil today is down deeper in the shallow fields; by drilling deeper in the shallow fields. And that is being done, and discoveries are continuously made.

There is one factor which I am glad you reminded me of. I told you about stratographic traps. Senator Connally, I know you will recall that the experts of the major companies, and all the companies, in fact, in Texas, when the first well in East Texas was drilled, just could not believe it. There could not be any oil there, they said. The geologists said there wasn't any to to be found. There wasn't any geological evidence.

So someone from my town of Ardmore, Okla., had a hunch and went down there and drilled a well, and discovered the greatest oil field the world has ever known until Saudi Arabia, the greatest field the United States has ever known, in a place where "there couldn't be any oil."

So these stratographic traps are important. But nothing but the drill will find them.

May I have permission to introduce this statement, to supplement what I have said?

The CHAIRMAN. It will go into the record.

(The prepared statement of Mr. Franklin is as follows:)

STATEMENT OF WIRT FRANKLIN BEFORE THE SENATE FINANCE COMMITTEE, ON THE EXTENSION OF THE RECIPROCAL TRADES AGREEMENTS ACT. FEBRUARY 21, 1949

My name is Wirt Franklin. I reside in Ardmore, Okla.. and have been an independent oil operator for the past 35 years.

It was 19 years ago that I came to Washington to put the problem of imported oil before the Congress. I was the president of the Independent Petroleum Association of America, which had been organized a few months earlier. It was a movement born of desperation and of an acute sense of further tragic results to come. The temper of the independent producers was indicated by the fact that my departure to Washington was preceded by a meeting in Tulsa which was attended by about one thousand oilmen.

So, as the saying is, "This is where I came in." The situation now is again one which calls for consideration by Congress, our primary policy-making branch of Government. Great and pressing problems of many kinds call for the attention of Congress. We believe that ours is so closely related to most of the others, including that of national security itself, that it cannot be passed over or long deferred without serious consequences.

Shortly before our problem was presented to Congress, beginning in early 1930, the first 1,000,000,000-barrel year had been completed. That was the crude-oil volume which came from our oil fields in 1929. Last year—1948—was the first 2,000,000,000-barrel year.

It had been our hope that industrial statesmanship would prescribe a course that would make unnecessary the further petitioning of Congress on the matter of imported oil. The independent producer seeks to avoid wherever possible the resort to official arbitration of intraindustry difficulties. He is well accustomed to adversity. The nature of his business inures him to shock. He drills dry holes and wells that promise substantial production only to turn to salt water. These he expects in the normal course of his activities.

But this import question is something which he cannot handle alone.

Beginning in 1930 we spent approximately 1½ years in acquainting the Congress with our situation. The action taken in June 1932 was in the form of excise taxes on imported crude petroleum and products.

It has been said many times that the amount of the tax was secondary in importance to the declaration of policy which the act of taxation implied. Congress heard the arguments on both sides of the question, made itself familiar with the long-sustained campaign of the importers and some in the executive branch of Government to lead to public acceptance of the theory that reliance on imported oil spelled conservation of domestic resources. Congress rejected the theory and declared itself in favor of development of our own resources.

When we presented our case to Congress in 1930 we expressed as the first article of our faith and belief that the petroleum resources of the United States were ample for our needs. In view of the fact that last year's production was double the record year 19 years ago, I think we may rightly claim a dependable perspective then. It was not guesswork. We had in our group some able geologists who were acquainted with the available data on the United States. To date everything we said about the future has been proven in overflowing measure.

We appear before you today as confident of the ability of the domestic petroleum industry to provide for the domestic needs as we were in 1930. The record speaks for itself. Paradoxical as it sounds, it is a fact that the more we use the more we have. That is partly because the discovery phase of our industry is most vigorous when there is a healthy demand for crude oil. The more crude oil we sell, the more we drill for new supply and throughout history the discovered reserves have kept on growing as a result. In addition, an adequate market for crude oil stimulates efficiency in producing methods.

In view of the essentiality of oil to our national security, it is important that the national policy on petroleum, as indicated by Congress be one that assures at all times an adequate supply to meet national requirements. The problem is to ascertain a program which will assure these objectives on which all agree.

We believe that to assure these objectives the national policy first must be one that encourages maximum development of our petroleum reserves and establishes the domestic industry as our first line of defense. We believe it is unwise to become dependent upon foreign sources for any part of our domestic requirements. This belief is based in part upon our experience of World War II which

clearly demonstrated that foreign sources, even in nearby South America, were vulnerable to enemy disruption. In arriving at what constitutes a proper policy as to oil we have several specific guides of recent date. During the war years when our World War II experiences were fresh in mind, the Petroleum Industry War Council, an industry group advisoy to the Federal Government, adopted what it deemed to be a proper policy as to oil which included a clear statement to the effect that foreign oil be used to supplement when needed but not to displace domestic oil.

In 1947, a Senate Special Committee Investigating Petroleum Resources gave consideration to this question. In its final report, the committee made several pertinent observations on this point and stated that the facts impelled the conclusion that as a matter of policy the Nation should take steps to guarantee a domestic petroleum supply adequate for all eventualities.

More recently the matter of a proper national oil policy has been the subject of study by the National Petroleum Council, which is the existing industry group advisory to the Federal Government, and consists of representatives of all elements of the industry, including the importing companies. This study was made at the request of the Secretary of the Interior Krug. On January 13, 1949, this Council unanimously adopted a policy which recognizes that the domestic industry is the first line of defense and that national security and welfare in the first instance depends upon a healthy domestic industry. The following excerpts from this policy are clear, positive, and unambiguous:

"The national security and welfare require a healthy domestic oil industry."

"Continuing supply to meet our national oil needs depends primarily on availability from domestic sources. Due consideration should be given to the development of foreign oil resources, but the paramount objective should be to maintain conditions best suited to a healty domestic industry which is essential to national security and welfare. To this end, adequate and equitable availability of essential materials is a fundamental requisite."

"The Nation's economic welfare and security require a policy on petroleum imports which will encourage exploration and development efforts in the domestic industry and which will make available a maximum supply of domestic oil to meet the needs of this Nation."

"The availability of petroleum from domestic fields produced under sound conservation practices, together with other pertinent factors, provides the means for determining if imports are necessary and the extent to which imports are desirable to supplement our oil supplies on a basis which will be sound in terms of the national economy and in terms of conservation."

"The implementation of an import policy, therefore, should be flexible so that adjustments may readily be made from time to time."

"Imports in excess of our economic needs, after taking into account domestic production in conformance with good conservation practices and within the limits of maximum efficient rates of production, will retard domestic exploration and development of new oil fields and the technological progress in all branches of the industry which is essential to the Nation's economic welfare and security."

We think that it is imperative that the future policy as to petroleum be one that provides a domestic industry capable of supplying all peacetime requirements and in addition assuring a reserve producing capacity available for use in case of any emergency. In 1932 the Congress adopted a policy reflected in the import excise taxes encouraging the domestic industry to attain such a position. Under this policy the industry proceeded in its normal way in developing the petroleum resources of the Nation with the result that at the beginning of World War II the industry had built up a reserve-producing capacity, above current needs, of approximately 1,000,000 barrels daily which was readily and under all circumstances available for use, and not subject to interruption by enemy submarines. The congressional policy that resulted in this enviable position prior to World War II has been disrupted by the reciprocal trade agreements program. If we are to regain this favorable position, the trade agreements program must be adjusted to meet the peculiarities of the world petroleum situation.

We often hear the argument that the United States should conserve its petroleum resources and rely upon imported oil for current needs. This argument is plausible on its face. Upon examination, however, it is found to be inherently fallacious and also involves a program that imperils our national security.

In the first place, the program posed by this argument is not one of "conservation" but one of "reservation" or "hoarding" or "nonuse." This Nation has not attained its position of leadership among nations through nonuse of its resources but to the contrary, full use thereof, recognizing, of course, the need for conservation and avoidance of unnecessary waste. It is through use that we have progressed to new ways and means.

An analysis of the results of a program of "reservation" or "nonuse" is most revealing. In the first place, let us assume that a given oil field is "reserved" or "locked up" or "hoarded" for some future emergency use. It is an engineering fact that due to the characteristics of many oil fields the closing in of the wells therein would result in permanent injury to the productivity of the field. If the oil wells are not productive the operators thereof are unable financially to maintain them and as a result the physical equipment involved deteriorates and wastes away unless the Government through subsidy maintains them. In addition the manpower of the industry cannot be retained but would drift away into other endeavors unless the Government keeps it in an unproductive state through subsidy. Of even greater importance than the physical wasting away of the industry there also would result a stagnation of its mental abilities and of the efforts to find new ways and means of providing future supplies of petroleum.

It must be kept in mind that if such a program of reservation is followed the industry would not be keeping pace with the increasing normal needs of our Nation for petroleum. It would be stagnated at the present level so, as a result, a few years hence—2, 5, or 20 as the case may be, if we should be faced with an emergency and the foreign imports of oil on which we had become dependent were cut off through enemy action, the stagnated domestic industry would be able to supply only a part of our normal requirements, not considering what an emergency might add thereto. It would take many years to revive it.

Gentlemen, the future military safety as well as the economic welfare of the United States may well depend upon an abundant supply of nearby petroleum along with a trained personnel sufficient to its production and use. The thin thread that connects this country with the uncertain supply in remote places is too slender for such dependence.

The power to determine a policy of national safety rests with the legislative branch of our Government—it is yours to decide.

Mr. BROWN. Mr. Chairman, in connection with Mr. Franklin's statement, there is a very interesting article in This Week, of, I think, February 13, by Maj. Alexander P. de Seversky, in which he points out the importance of a reserve of oil within the United States, and also points out that the Saudi Arabian fields could not be defended.

I think that is so important that, with your permission, I would at least like to call your attention to it, and with your permission I would like to have it in the record.

The CHAIRMAN. It is a very lengthy article?

Mr. BROWN. Not very lengthy; one or two pages.

The CHAIRMAN. It may go into the record.

(The article referred to is as follows:)

THIS MAP CAN SAVE AMERICA!

(By Maj. Alexander P. de Seversky)

With the danger of another world war grimly real, the American people today are deeply concerned about military preparedness. But one critical element in the security equation has not received sufficient attention. It may prove to be the weakest link in our chain of defense.

I refer to vital strategic materials indispensable to our survival.

When Japan sealed off our normal supplies of crude rubber and other key materials in the last war, it struck a body blow at American industry. That will seem a minor disaster compared to the industrial starvation which will be imposed upon us in any new war—unless we recognize the danger in time.

That danger derives from revolutionary changes in war-making which, unhappily, have not yet been fully grasped. The most crucial fact to which we must adjust our minds, and the sooner the better, is this:

From now on, transoceanic, interhemispheric air warfare is not only possible but inevitable.

It is a fact which torpedoes many established ideas on national defense, war production, and the future roles of armies and navies. It is bound to be resisted by some military thinkers whose minds are hobbled by tradition and service loyalties. But it is a fact to which we must gear our planning if the United States is to remain safe in a turbulent world.

Let's look for a moment at some recent developments which underlie all future plans for the security of the United States.

In the last war the biggest weapon of our Strategic Air Force was the B–29 long-range heavy bomber. Today the B–29 is already officially considered only a medium-range bomber. Though its striking radius of 2,000 miles is still impressive, we now have in the air and in production the B–36, which, with current improvements, will have a 13,000-mile flying range. This means a 5,000-mile striking radius for a fully loaded bomber. On December 7 and 8, the United States had a dramatic preview of things to come when a B–36 flew nonstop from Texas to Hawaii and back—a total distance of over 8,000 miles, with a full military load (bombs, crew, and equipment required for a combat mission).

THEY'LL STRIKE ANYWHERE

The B–36 is an example of the long-range strategic air power which will revolutionize our ideas of military strategy. Such planes can rise from our own continent. Then, without need for overseas bases, they can strike at almost any point in the anatomy of a European or Asiatic enemy—and return home.

We do not know whether Russia has such aircraft today. But common sense demands that we assume the development of such air power by potential enemies. Even if a war should begin on a 2,000-mile basis, it will inevitably be transformed into a 5,000-mile contest before a decision is scored. Such comparable extension of range took place during World War I and World War II, and we have no reason to doubt that it will happen again.

Now let's see what this new concept of 5,000-mile air warfare does to our designs for national defense and military strategy. The map on the opposite pages gives you a bird's-eye view of the situation.

Our conventional ideas of geography were formed on the basis of the old surface methods of transportation. In the aviation era they have lost most of their meaning for peacetime and all meaning in time of war. Distance and space relations, measured both in time and direction of flight, are completely different.

RUSSIA'S BACK YARD

Once, we thought of the Orient as located to the west of us, with Europe to the east. But in the aerial age we are getting used to looking "down" on our planet from the North Pole. Thus viewed, the continents which seemed east and west of us, we discover, really lie to the north. On this new map, Europe and Siberia lies between us and Africa, the Sudan, India, Indo-China, the East Indies and northern Australia. In hostile hands, the European-Siberian land mass constitutes for us a barrier to the regions beyond, effectively blocking our access to them.

In aerial terms, the places I have just mentioned are closed to the United States. They have become a sort of back yard of Soviet Russia, the dominant air-power nation of the Eurasian continent.

By the same token, however, South America is our aerial back yard, safely outside the aviation reach of Russia. Our North American land mass stands as a barrier between Eurasia and Latin America. Shipping between North and South America is coastwise, generally beyond the striking range of the Soviet Air Force. It will move under air power firmly anchored on the American shore line.

The map reproduced here represents graphically this new power relation between the American and Eurasian continents if they clash in war—given the inevitable striking range of 5,000 miles.

The "reach" of North America is fixed by its four extremities—Alaska, Newfoundland, California, and Florida—in an approximate square. The portion of the globe dominated by an American Air Force of 5,000-mile radius operating from these outposts forms a vast circle (shown in blue). Theoretically, an American Air Force of such range could destroy any target in this area.

The Eurasian continent, bounded by such points as Murmansk, the Caucasus, Kamchatka, and Baikal, is somewhat oval. The area covered by an equivalent Soviet Air Force operating from the outer edges can be represented by an ellipse (shown in yellow). In like manner, the Soviet Air Force could destroy every target in this area. And should the present Communist advance in China engulf the whole country, Russia would not have to wait for 5,000-mile bombers to exclude us from its back yard in Asia. It can do so with its copies of our B–29's already on hand.

Where the American circle and the Russian ellipse overlap (the green portion) will be the aerial no-man's land. There the contest for mastery of the whole air ocean will be unfolded. It is the area within air power of both nations, and encloses the industrial vitals of both belligerents.

That will be the combat area, the area of decision. Here the offensive potential of each nation will confront the well-deployed and well-supplied defensive air force, the antiaircraft, ground-to-air missiles and the rest of the defensive potential of the opposing nation.

NO ADVANCE POSTS

In the past a belligerent could establish local control of the sky over some distant spot for use either as a military advance post or as a source of strategic supplies. We maintained such patches of isolated control in the last war in China, Burma, Iran, Iraq, and other points—just as the British Empire, in the days of sea power, maintained isolated naval bases. But in the future local dominance of this type will no longer be possible.

In the next war, a detached point inside the enemy's orbit of bombardment will not be able to survive unless it is endowed with air defenses of a magnitude to challenge the enemy's entire striking air force. To hold a series of isolated points, that is to say, we would need a series of air forces, each of them big and strong enough to defeat the foe's total striking aerial strength. Clearly this would be an economic impossibility. Thus everything in the yellow sector, which is Russia's back yard, would be lost to us—just as surely as everything in the blue segment would be denied to Russia.

As this central fact becomes understood, it will bring explosive upsets in all our established military concepts. The triphibious land-sea-air team devised in World War II to carry short-range aviation within striking distance of the enemy will be a thing of the past. Air power of global range will attack industrial vitals directly and at once, operating from continental home bases.

But the emergence of such interhemispheric warfare will affect not only military strategy. It will affect profoundly every aspect of our national life—our industrial set-up, allocation of materials, deployment of manpower, nearly everything. The most important effect will be on the sources of supply of critical materials essential to the conduct of modern war.

The United States, for all its amazing natural riches, is still, in many respects, a have-not nation. It depends on the outside world for a long array of strategic materials, from crude rubber and additional oil to tungsten, cobalt, manganese, etc.

To illustrate, the future Air Force will be jet-powered. Cobalt today is the key material in the manufacture of gas turbines. Yet 75 percent of our cobalt requirements must be imported. The same is true of chrome, so vital for high-grade steel-alloy production. Only 15 percent of the needed amount is found in the United States. The situation is just as acute with tungsten, manganese, and other materials without which a war machine cannot function. All of these can be found and developed in South America.

Unless we make certain that we shall enjoy a continuous flow of these products in time of war, we may find ourselves dangerously, if not fatally, handicapped.

We have only to recall our plight at the start of the last war to realize the seriousness of the problem. Our leaders had counted smugly on rubber, hemp, a hundred other indispensable items from the East Indies, the Philippines, Indochina. Smugness gave way to alarm and near despair as Japanese aviation closed one Pacific door after another to us.

THE AIR-POWER AGE

Are we heading for another such disillusionment—on a far bigger scale? I am convinced we are—unless we wake up to the realities of the air-power age. Again we are basing strategic and industrial plans on materials that will be denied to us by hostile aviation.

Consider a concrete example. It is no secret that a great deal of diplomatic and military effort has been centered in recent years on the Near East. Strategic blueprints are geared to the assumption that Arabian oil will be available to us. But those oil fields are practically on the border of the Soviet Union. They are within easy striking reach not only of Stalin's strategic bombers but of his short-range dive bombers and fighters as well.

Within hours after the start of hostilities, we may be sure, the Arabian oil fields will be subjected to devastating air attack by the Soviets. Our chances of holding them will be no better than would be Russia's chances of defending oil fields in the American orbit, let us say in Mexico.

AERIAL DESTRUCTION

What is true of the Near East is no less true of every other region within range of the Soviet Air Force. What Russia cannot or does not need to capture for its own use, it can deny us by destruction from the air. To place any reliance on supplies from such regions is to stake our victory on self-delusion.

Such is the picture. It leaves us no reasonable alternative to the intensive development of sources of strategic supplies in our Western Hemisphere. Research on substitute materials must be stepped up. Those that have no substitutes must be stock-piled without delay.

Our planning must discount oil from the Near East, rubber and tungsten from China and the East Indies, all other vital supplies heretofore provided by areas in the yellow zone of our map. A premium should be put on weapons forged out of materials located in our own hemisphere.

The common defense of our hemisphere by all the nations of the Americas is no longer merely a desirable objective. Under the conditions of tomorrow's global aerial range it becomes a dire necessity. South America cannot survive without the kind of defenses that only industrial United States of America can generate. The United States, in turn, cannot fight a modern war successfully without the natural resources of South America, actual and latent.

The Eurasian Continent is naturally self-contained. To blockade it by air or sea is a futile gesture, since it does not have to rely on outside sources of supply. Unfortunately the Americas, in spite of their great abundance and diversity of natural resources, are not yet completely self-contained. Our immediate goal in the sphere of economic warfare must be to make them so.

WATCH THE FARMS

A systematic appraisal and reorganization of the economic potentials of North and South America should be made. An Inter-American Resources Planning Board should be set up at once, embracing agricultural as well as industrial potentials in its scope.

Though we still think of farming as related only to food supplies, it is also a vital industrial source. A great many of the products of the soil and of livestock are important, since, through chemistry and other industrial processes, they provide essential materials for modern weapons. We cannot escape a far-reaching revision of our farming and related industries in line with South American productive capacity. We must look to South America, and especially to Argentina, to provide the cattle, leather, and farm products that will be drained off in the United States for indispensable war purposes.

MILITARY PLANNING

Along with orderly economic planning on a hemispheric scale, we must, of course, have military planning to match. Our fighter aircraft, ground-to-air guided missiles, rockets, antiaircraft artillery, radar network—the whole elaborate system of air defense—must be extended throughout the Americas.

The production of such defensive means, moreover, should be spread throughout the hemisphere. Only thus can we avoid clogging and overburdening all transport within the Americas when the test of war is upon us. The manufacture of fighter planes, guided missiles, and other defenses must be encouraged. Where necessary, Latin-American manufacturing must be subsidized.

Because air-lift methods will inevitably grow as a substitute for surface transportation, Latin-American air lines must be built up. They should be helped to develop self-sustained operation by setting up depots, repair shops, maintenance units, as well as plants for the production of cargo planes and their spare parts.

In the next war, as I see it, the American Hemisphere will be strategically divided roughly into three belts:

The first, including primarily Alaska, Canada, and Newfoundland, will be the deployment belt, from which our long-range striking Air Force will carry war to the heart of the enemy.

The second, the United States proper. will become essentially the industrial belt, producing the means for waging war. It will be a primary target of enemy attack—and this requires the most concentrated defenses.

The third zone, all of Central and South America, will become the supply belt, the vital reservoir of food and strategic materials. This is the "safe" area, shut off from enemy attack. It must be developed to support the effort in the other two zones.

THREE-BELT CONCEPT

Functions of the three zones will of necessity overlap. But the three-belt concept is useful as a guide to our over-all thinking and planning.

These are inescapable facts. Victory will be possible only if the Americas become just as self-contained as a Russian-dominated Eurasia. The time to begin to achieve that economic independence is now. It is a challenge to American statemanship, industry, and economic good sense.

Mr. BROWN. Mr. Chairman, California was mentioned, and Mr. Rush M. Blodget of the Oil Producers Agency of California is here.

Mr. Franklin referred to California not having a law, and Mr. Blodget is here representing the State, and I would just like to ask him to explain that one thing.

The CHAIRMAN. All right, Mr. Blodget.

STATEMENT OF RUSH M. BLODGET, REPRESENTING OIL PRODUCERS AGENCY OF CALIFORNIA

Mr. BLODGET. I want to thank you for allotting me some time. I told Mr. Franklin and also Mr. Brown, that the Californians are very modest, and we are content to stand behind our colleagues when we agree with them.

But you remember that Webster said, in his reply to Hayne, "When my leader sees new lights, I cannot follow them," or words to that effect. And when he says the lights of California have gone out, I want to say something about it.

California has no control law, no law in which somebody takes control of the method of conservation. We put one in some 15 years ago, but at that time only one-fifth of California were Texans and Oklahomans. We had one about 5 years ago, and at that time only about a quarter of our population were Texans and Oklahomans. I think today one-third of our population is from Texas, and Oklahoma and Louisiana.

The CHAIRMAN. You may still improve it.

Mr. BLODGET. It may be that very soon another bill will be presented, it will go to referendum, and we will hope for the best. However, in the meantime we have perhaps one of the most magnificent examples of private enterprise working cooperatively in the interests of conservation that can be found anywhere in the United States.

We have a group of men elected by the companies in the field. Many of them are field men. They meet once a month, as a body. They pay their own expenses. And I thik you will find that we have as effective a conservation program as they have in the United States. I should

have brought in the reports that were made by officials and Members of Congress, who have investigated.

Of course, it is our history that only about 95 percent of our operators are willing to completely abide by the rules of the conservation committee. But that is possibly as good as they have anywhere. And we do have conservation there. We have many, many laws on our books. We have well spacing. We have gas conservation. We have provisions for the shutting off of underground water to prevent its penetration to other sands.

In fact, our conservation laws fill an entire book.

The only thing that is left out is the oak tree in the center on which the vine shall climb. That is, we haven't a control bill. We do it through our voluntary commission.

We are proud of that voluntary commission. I think, however, that many of our more conservative operators would like to have a control bill. So by putting that in the record, I am now willing to go back and sit down, as all modest Californians do, and let Russell and Wirt go ahead and take the lead. We are in accord with them in everything else.

Senator CONNALLY. May I ask you, Does this voluntary group that controls the industry ever run into conflict with the laws out there? Does it have any trouble with the Attorney General?

Mr. BLODGET. I will explain that. We cannot allow that committee to take control of economic waste; only physical waste. We do have some fears. For instance, we have a very expert committee of our very best engineers who establish the rules for MER, maximum efficient rate. And that is the limit. We cannot reduce below maximum efficient rate.

Texas can come below maximum efficient rate if they desire, because they recognize, under the law of Texas, economic waste. We do not. So far, we have not had any trouble about it, though, except that the Federal Government has been always just treading on our heels. And the grand jury and the FBI come up to see me once in a while, and I talk to them, and they subpena all the records up before the grand jury.

Senator CONNALLY. You talk to them, and talk them out of it?

Mr. BLODGET. No; although they say, "Well, now, Mr. Blodget, if you come up before the grand jury and tell this story as you have told it to me there won't be any trouble." Then they didn't subpena me before the grand jury. They got a lot of other fellows and took them up there, with all the microfilms of their records.

Yes; they do cast a shadow across our thresholds ever so often. But I don't think, speaking as an old-time American, and, with your permission, as an old-time Yankee, that they are going to do anything to us. I think we are doing it all right. I think it is all conscientiously in the interest of conservation.

Thank you very much, sir.

Mr. BROWN. I am sure Mr. Franklin did not mean to cast any aspersions on California. It is simply that they have not had a law. They do it voluntarily.

The CHAIRMAN. Thank you, Mr. Blodget.

Mr. BROWN. This is Major B. A. Hardey, of Shreveport, Mr. Chairman.

STATEMENT OF B. A. HARDEY, INDEPENDENT OIL PRODUCER, SHREVEPORT, LA.

Mr. HARDEY. Mr. Chairman, and gentlemen of the committee, I would like to begin my remarks by saying that I am an independent producer in my own right. During the last 8 years I have been activity connected with the State regulation of petroleum in the State of Louisiana, as conservation commissioner and chairman of its mineral board.

I served on the Petroleum Industry War Council during the war, and am presently a member of the National Petroleum Council; and, like Mr. Franklin, I did serve a couple of years as president of the Independent Petroleum Association.

I tell you about these different associations that I have had in the past, for the reason that I think it gives me a pretty good insight into the conditions that prevail in the industry from time to time, and particularly at this time.

I thoroughly concur with Mr. Franklin's expressions on conditions in the industry today, and particularly the fear that is existent in the minds of the producers of oil and the people who drill wildcats and who search for oil, the threat that is impending at this time, or already present, from a flood of imported oil.

I live down in a State that is third in the ranks of the producing States, the State of Louisiana. We are the producer of a half million barrels of oil a day under very good conservation control.

Our State and the State of Texas are the only two States that consistently, over a period of 10 years, have been able to increase their reserves from year to year, and in addition take care of their fair part of the load of an increasing demand from year to year.

Consequently, I believe that the producers of America look upon our area down on the Gulf Coast particularly as an area right now which is worthy of additional exploration, and a speeded-up development program.

Because of the contacts that I have had in the petroleum industry, I think I can correctly express what is going on in their minds from time to time; serving on this War Petroleum Council, coming in contact with thousands of producers.

I remember the Army-Navy Petroleum Board just 2 years ago telling us that it was necessary in the public interest, and in the interest of national security, that we step up our productivity or our produceable capacity in the industry. I also remember people getting together in the industry and saying, "Now that we are operating under a free economy, we have gotten away from the unreasonable shackles of OPA control, and it is time we rolled up our sleeves and went to work."

The petroleum industry has gone to work in the last 2 years, since a reasonable price structure has existed in the industry, a price structure that has produced an incentive for the risk capital necessary for finding and development of new oil. They drilled 37,500 wells last year, an erroneous increase over the wells, of course, that were drilled during the war.

We have had to fight for steel just as hard as we did during the war. As a matter of fact we did not have an allocations committee to give it to us as we did during the war. But, in spite of these handicaps, the

petroleum industry has gone out and increased its reserves, even during the war, under those handicaps.

As Mr. Franklin told you earlier, this industry has increased its producing capacity. But I do sense at this time from the contacts that I make throughout the industry, that there is a real fear that the effort to find new reserves will stop, and stop soon. During the last few months, imports have gone up to the point where it has created consternation throughout the industry. I know people who have canceled plans for the drilling of wildcat wells. We are living in a high-level economy. We are spending a lot of money to drill wells today. The cost of labor has not gone down. The cost of steel has not gone down, and the cost of all of those factors that go into high-cost production has not gone down.

The prudent businessman in the petroleum industry today is rather reticent to get out and put his capital in, when there is a fear, and a well-founded fear, that he may not be able to sell a sufficient amount of his oil, after he finds it, to pay out, with the high costs that he is subject to.

Senator MILLIKIN. And if he finds it.

Mr. HARDEY. And if he finds it, of course.

These regulatory bodies, trying to prevent above-ground waste, have cut down the production, largely, in the States of Texas, Kansas, Oklahoma, and in other States. We are faced with pipe-line proration today in some areas, where the regulatory authorities have not cut down. That means that the pipe lines will take just so much from certain fields. In the State of Mississippi many of the fields are already under pipe-line proration. Some fields in east Texas, in your State, Senator, in Sulphur Bluff, in some of those areas, have pipe-line proration. In some of those fields the people are finding the best market they can by shipping through tank cars, because the pipe lines can't take the oil. In other words, we are going into a period of a slowed-down market that is bound to bring a slowing down in the search for oil.

I appeared before the Armed Services Committee last year, and I had a very fine hearing there. And with the Army and Navy Petroleum Board there present, I told them, "I think that the armed services of this country need have no fear of shortage of oil in case of emergency."

We want to upgrade. There is no disturbance at all. But the big disturbance today is this increased tempo of imports, with a gradual cutdown of our production in our own States, will certainly cause a slowdown in development of exploration. It is bound to come about. It is a natural law of economics.

The people down in my State, and our country there, are awfully dependent on petroleum. It pays over 50 percent of the taxes in our State. We feel that the industry and the States involved, their tax structures and their economies, require that the Congress take some action to throw some protection around this, because the people who would administer this law, and the proposed extension that is up before this committe now, are not oil men. They are not very familiar with petroleum economics. And great harm might be done only to the economy of this country and the petroleum economy itself, but, and I agree with Mr. Franklin, the most important thing we are look-

ing at today is the future welfare and the future security of this country.

I do know that the people of this country in the petroleum industry want to build up the 2,000,000 barrels per day excess capacity that the Army and Navy Petroleum Board wants out here. But they can't, if you are going to shackle them, and hamper them and discourage them. I don't think you will do it. I say somebody else will do it, if you don't afford us the protection we think is necessary to bring that about.

With that statement, I want to thank you, gentlemen, for the privilege of coming here from Louisiana and telling you of our conditions down there.

The CHAIRMAN. Are there any questions?

Thank you, Mr. Hardy.

Mr. BROWN. The Governor of Oklahoma was interested in this, and asked Mr. Walker Pound, of the State conservation commission, to come, and he has a very short statement he would like to make.

The CHAIRMAN. Mr. Pound, we will be very glad to hear from you.

STATEMENT OF WALKER T. POUND, DIRECTOR, OIL AND GAS CONSERVATION DEPARTMENT, OKLAHOMA CORPORATION COMMISSION, APPEARING ON BEHALF OF HON. ROY J. TURNER, GOVERNOR OF THE STATE OF OKLAHOMA

Mr. POUND. My name is Walker T. Pound, and I am director of the oil and gas conservation department of the Oklahoma Corporation Commission. I appear here, however, as the representative of the Honorable Roy J. Turner, Governor of the State of Oklahoma, who is also an active and successful independent producer of crude oil, and whose views I am here to express.

In line with the expressed policy of the National Petroleum Council, the State of Oklahoma believes that only that amount of crude oil and refined product needed to supplement domestic production should be imported into this country. Naturally, such domestic production should be restricted to that amount which can be produced under sound conservation practices and without waste. The production in many Oklahoma pools is now restricted to a figure well below an amount of oil which could be produced without injury to the reservoir.

The Oklahoma Corporation Commission, the agency which regulates the production of petroleum in Oklahoma, effective February 1, reduced the allowed crude-oil production in the State by some 44,000 barrels daily, or approximately 10 percent. This necessary reduction may have to be followed by other reductions, unless the above-ground stocks of crude oil and refined products are reduced from their present unhealthy level. Any such reduction necessarily reduces the exploratory and development program of the industry, thus reducing the reserves and supply of petroleum that may be supplied by our State.

Petroleum is Oklahoma's largest industry and naturally plays a vital part in the entire economy of the State. Any unusual or unnatural reduction in either the amount of oil produced, or the price paid for it almost immediately affects the entire State.

Not only do such reductions affect the petroleum industry itself, but they affect most, if not all, other businesses in the State, and particularly the tax structure of the State itself.

The petroleum industry pays a 5-percent gross production tax on oil produced in Oklahoma. That tax contributes almost one-fourth of the total tax accruing to the general revenue fund of the State. The recent necessary reduction of allowables in Oklahoma, for example, reduced the State's revenue by approximately $2,000,000 annually, or about one-eighth of the total revenue from taxes on crude oil.

When making reductions in allowables in Oklahoma's production, made necessary by excessive imports, it is almost impossible to do so without working a hardship on our local independent refineries. Most of these refineries, of which there are 32 in the State, obtain their crude from perhaps 1 or 2 pools, and when allowables in those pools are reduced, in many instances the refineries are unable to obtain sufficient crude for their actual needs, since they do not have access to other crude stocks, either imported or produced elsewhere in the Nation.

In August of 1939, when a situation with respect to crude and product stocks similar to the present situation existed, it became necessary for the Oklahoma Corporation Commission to direct that every well in the State be shut in for a period of 16 days, even including the small stripper wells, making only a barrel or two daily.

The effect of this shut-in was felt for many years. Many small stripper wells and their owners never recovered from its effects. Many of those wells were later unable to produce oil that was so vitally needed during the war, and much oil was left in the ground, probably never to be recovered.

The history of the petroleum industry is replete with examples of the disastrous effects of storing too much oil above ground.

This subject is of such importance to the people of Oklahoma that the legislature and the corporation commission recently adopted resolutions asking the Congress and the State Department to curtail imports of oils to that amount necessary to supplement domestic production.

Thank you.

The CHAIRMAN. Any questions?

Senator Connally?

Senator CONNALLY. I want to ask one question.

You are the director, then, of that branch of the corporation commission that handles oil?

Mr. POUND. That is correct.

Senator CONNALLY. So you are the head of their regulatory body; is that right?

Mr. POUND. I am actually the enforcement officer for the corporation commission, insofar as the regulation of oil and gas is concerned.

Senator CONNALLY. Were you in the oil business formerly?

Mr. POUND. Yes, sir; under our law, you have to be. I had 7 years in the oil business in Oklahoma to hold that position.

Senator CONNALLY. You were an oil operator, were you?

Mr. POUND. I have worked for major companies and independents, and tried to make a little on my own on occasion.

Senator CONNALLY. Are you still in the oil business in that way?
Mr. POUND. No.
Senator CONNALLY. You had to divorce yourself from that?
Mr. POUND. I didn't have to.
Senator CONNALLY. I thought you said you had to, under the law. Did you say that under the law you had to be an oil man?
Mr. POUND. I had to have experience in the oil business.
Senator CONNALLY. All right.
The CHAIRMAN. Senator Millikin?
Senator MILLIKIN. The imported oil usually is refined at the seaboard refineries? That is why it does not get to your part of the country?
Mr. POUND. That is right. But, of course, when oil is refined, whether it is from our State or any other State, it loses its identity, and then it affects ours.
Senator MILLIKIN. I understand that. If you are running a refinery in your State, though, you would get your oil at the closest place to get it.
Mr. POUND. That is true.
The CHAIRMAN. Any questions?
Thank you, Mr. Pound.
Mr. POUND. Thank you. Mr. Chairman and gentlemen.
Mr. BROWN. May we have a few more minutes? There were some short statements, if we could have a few more minutes.
The CHAIRMAN. Yes; you have been so agreeable and obliging and helpful that we shall be glad to give you the time you require.
Mr. BROWN. Mr. J. P. Coleman, of the North Texas Oil & Gas Association, had some resolutions that he was authorized to bring, if he will come up at this time.
The CHAIRMAN. Come right up, Mr. Coleman.

STATEMENT OF J. P. COLEMAN, REPRESENTING NORTH TEXAS OIL & GAS ASSOCIATION

Mr. COLEMAN. I will be as brief as possible. I represent here the North Texas Oil & Gas Association, which is an association composed of small independent oil producers. I am an oil producer myself and have been for over 20 years. I am a very small producer, and in our district we have some 600 small producers, that do nothing but produce oil. They sell their oil to the pipe-line companies, to the major companies.

We do no refining and we do no transporting. We are what you might call the farmers of the industry. We are the ones that are first affected by imports from other countries.

Our association saw fit to pass a resolution a few days ago, which we intended to send to Members of Congress, asking them to give us the remedy which has been outlined by Mr. Franklin, and I have from the president of that organization—incidentally, I was president of it at one time—this communication and this resolution.

Along the line of the little producers, it might be well, though, at this time to mention the fact that there are around 6,000 of these little producers all over the United States, and they are greatly affected by the imports of oil from these other countries.

As to those 6,000 producers, they probably drill, and I think the statistics will bear me out, around 75 percent of the exploratory wells. That has been the history for a good many years. They are the fellows that go out and drill most of these exploratory wells. It is not the major companies that produce most of the oil—of course, the major companies buy them out later on, and the majors do a lot of wildcatting themselves, but these little fellows are the ones that go out and find it, and their welfare out there is, I think, very important to our national welfare. It is certainly directly related to it.

Senator MARTIN. May I ask a question there, Mr. Chairman?

The CHAIRMAN. Senator Martin.

Senator MARTIN. Of these 6,000 small producers, what would be the total production per day?

Mr. COLEMAN. Roughly, 40 percent of the national production. Of course, it varies from time to time.

While, as I say, they have drilled 75 percent of the exploratory wells, they do not always wind up with a large share of the oil. It gradually passes out of their hands; and in recent years there has been a tendency for their share of the production to become less and less. I think during the war they only produced about 35 percent of the national production. But, of course, it is a large enough segment to be just as important, practically, as the other 65 percent.

Senator MILLIKIN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. Perhaps it should be developed that when the little fellow makes the discovery he has an enormously expensive program ahead of him, and seldom has the necessary do-re-mi. That often leads to the big fellow getting into the game.

Mr. COLEMAN. Yes, sir; that often happens.

There is only one phase of it that it seems to me has not been touched upon here, and that is: "Who are these importing companies?"

The importing companies that are bringing in this vast amount of oil consist of only about five companies. They are American companies, largely. Of course, there are some British interests mixed in with them.

Getting back to reciprocity, there is very little reciprocity connected with these imports. There are two main sources of the imports. One is the Middle East, where probably the greatest reserve is, and the other is Venezuela. Now, Venezuela is ruled over by a dictator, and the Middle East, in which there are several companies, is ruled over by a group of nomadic sheiks, that rule over, you might say, desert tribes. They buy practically nothing from us. There is no reciprocity. We don't buy from the little fellows in those countries. Our American companies go over there and develop that oil and bring back the oil which they have produced in those countries. So, in a way, it is an extension of American enterprise, I will agree, but it isn't reciprocity.

The sheik has to keep up his harem, of course, and there have been many contributions to it by these American producers.

But it isn't reciprocity in the sense that I see this reciprocity agreement, where we are trying to build up the little people of a country with a large population; for instance, France, possibly.

I believe you gentlemen subscribe to the idea that whatever good comes out of these reciprocity agreements is where the little people of those countries benefit, and we benefit from an exchange of products

with them. But we exchange no products with Saudi Arabia or with Kuwait, or Bahrein, Iran, or those countries. Of course, we do exchange a little with Venezuela, but it is quite small compared to what we take out of there.

Senator CONNALLY. Well, Venezuela does not present quite the same problem as does the Near East, because most of the Venezuelan oil is brought here and then refined and then reexported; is it not?

Mr. COLEMAN. A great deal of it, of course, is produced and refined there, and shipped abroad.

Senator CONNALLY. If it is reexported, it does not pay the tax. It saves the tax that we put on it for other countries.

Mr. COLEMAN. Yes, sir.

Well, we don't feel we should object to that. When I say "we," I mean the little independent operators. We feel that that is all right for them to supply the markets of the world with that oil, but, frankly, we can't compete with the costs that they have in those countries. And we may as well fact the fact that we can't compete with such costs as they have in those countries. We have made cost studies in this country, and our cost studies have shown us without much reasonable doubt that it costs us $2 a barrel to replace the oil that we are presently producing in this country.

Of course, a great deal of oil was found at a lower cost, which is still being produced, but the current replacement cost is certainly well over $2 a barrel. And what it is in those countries is hard to say.

Their discovery costs were practically nothing. But there has been a rush to liquidate the reserves that those countries have. Probably, for one reason, they would like to turn it into American dollars. Another is that they may fear that they may never get that oil, and it is only a natural thing for them to try to glut this market, or rather, try to liquidate their reserves. And probably I would feel the same way if I had them. But I think that the national interest is involved there, and we do not feel that they should be given the privilege of destroying our domestic market in their rush to liquidate these foreign reserves.

Senator CONNALLY. I was going to ask you about your resolution.

The CHAIRMAN. Do you wish to put it in the record?

Mr. COLEMAN. Yes, sir; and also this letter from the president of the North Texas Oil and Gas Association.

The CHAIRMAN. They will be entered in the record.

(The material referred to is as follows:)

RESOLUTION ADOPTED BY THE DIRECTORS OF THE NORTH TEXAS OIL AND GAS ASSOCIATION AT A MEETING HELD IN WICHITA FALLS, TEX., ON FEBRUARY 18, 1949

Whereas the national public interest requires that maximum reserves of petroleum be developed and produced in the most efficient manner at all times for normal domestic consumption and for security purposes in event of a national emergency; and

Whereas the petroleum industry is one of the most important of basic industries; and the existence of practically all other industries, vital to our national welfare, standard of living and national security, depend upon the availability of a plentiful supply of petroleum products in this country; and

Whereas the petroleum industry in the United States has provided ample supplies both for World War II as well as for domestic purposes and continues to provide such ample supplies and to find new reserves; and

Whereas a few of the large integrated companies, importing vast unrestricted quantities of oil from the Middle East and other areas in direct competition

with domestic markets, threaten to destroy our industry and discourage exploratory work necessary to maintain ample petroleum reserves in this country: Now, therefore, be it

Resolved, That the directors of the North Texas Oil and Gas Association petition the Members of Congress to protect the petroleum industry in these United States by amending the Reciprocal Trade Agreement Act so as to provide quotas for petroleum imports during periods of oversupply to the end that only such imports as are necessary to supplement domestic supply shall be brought into the United States.

NORTH TEXAS OIL & GAS ASSOCIATION, INC.,
Wichita Falls, Tex., February 19, 1949.

Senator WALTER F. GEORGE,
Washington, D. C.

DEAR SENATOR GEORGE: The officers and directors of the North Texas Oil & Gas Association have requested Mr. J. P. Coleman to represent that organization and its membership of 425 independent oil producers at a hearing to be conducted by your committee on February 21. Mr. Coleman was formerly president of this association and has been a director for many years.

We are enclosing for your information copy of a resolution adopted by our directors at a meeting held in this city on February 18, which sets out their position with respect to the importation of foreign oil to this country.

We much appreciate your permitting Mr. Coleman to appear before your group to express further our views on the subject.

Your sincerely,

GEO. WAGNER DIMOCK, *President.*

Mr. BROWN. Mr. Chairman, the Governor of Kansas has a recommendation, to be presented by Mr. Robertson. I would like him to have an opportunity to present what he has at this time.

The CHAIRMAN. All right, Mr. Robertson.

STATEMENT OF JEFF A. ROBERTSON, CHAIRMAN, KANSAS CORPORATION COMMISSION, TOPEKA, KANS.

Mr. ROBERTSON. This will be short, I assure you, sir.

My name is Jeff A. Robertson. I am chairman of the Kansas Corporation Commission, which has regulatory jurisdiction comparable to all States, as to public utilities, but in addition, we have jurisdiction over the production of oil and gas.

I appear here by leave of this committee and by direction of Governor Carlson.

I made a few notes. I think it will save time if I just read them hurriedly into the record, if I may.

The State of Kansas, of course, appreciates the courtesy of this committee in permitting us to appear here to make known our views, which directly affect the welfare of many of our citizens, various of our industries, and a major source of our tax revenue.

That subject is the importation of foreign oil. Its impact on the economy of America's oil industry and its effect upon the future safety of our Nation, are under the consideration of your committee.

I hasten to assure you, however, that we realize that providing for the common defense is a matter for this committee and for Congress and not for the State of Kansas.

The State of Kansas is a member of the Interstate Oil Compact Commission, formed by 21 of the oil- and gas-producing States of the Nation.

As such a member of a conservation body, it has fostered and encouraged and, where necessary, required the use of every practice in

connection with the finding, producing and utilization of oil and gas, which results in a greater recovery from nature's reservoirs of this source of energy. As a member of the corporation commission of our State, and as its present chairman, I have sought, through democratic processes, represented by public hearings, to determine currently the ability of the industry to produce oil at a maximum efficient rate.

By a "maximum efficient rate" I mean the greatest rate of daily production for my State, the practice of which would not result in a decreased ultimate recovery of our oil reserves.

Kansas, in contrast with most of the oil-producing States, does not have a great abundance of gas dissolved in its oil. The production of a barrel of oil from a reservoir by the utilization of the least amount of reservoir gas is one of the objectives of a production at a maximum efficient rate. Kansas, in general, has an abundance of water drive, and the conditions within its reservoirs are such that the proper utilization of this water drive brings about the recovery of the greatest amount of oil from the reservoir for public use.

The best storage for petroleum is within the reservoirs where nature has accumulated it. Being volatile by nature, physical waste of petroleum begins to occur as soon as it leaves nature's reservoir, where it is held under pressure.

Waste of petroleum occurs when it is stored above ground. Not yet has there been developed an economic method of storing petroleum above ground without losing a portion of its most volatile fractions.

Most State laws have recognized this condition and have prohibited above-ground storage of oil, on the basis of preventing the waste which always occurs.

In that connection, there are now 8,000,000 barrels of oil, the original source of which was Kansas, in storage in the United States. Most States now limit above-ground storage only to that necessary for a working-stock basis to best serve public interests.

The Bureau of Mines, through current surveys of consumption, uses and storage, makes available its estimate of the current demand of petroleum and its products.

The oil-producing States, each of which accumulates its own statistics, have considered the estimates currently issued by the Bureau of Mines, compared with their own estimates, and with the estimates of various associations making similar studies.

Each month the probable amount of oil which my State can produce without waste and without causing wasteful storage above ground, is allocated to the various producing fields of the State, on a basis provided for in our State statutes.

Until recently, our demand has been such that, coupled with the existing price (denied our producers during the war years), our exploratory efforts towards finding new fields have increased. I might say that an adequate price and an adequate demand are two requirements necessary to maintain oil reserves for public welfare and for our national safety. To tamper with either cuts off an incentive to free enterprise and immediately reacts in diminishing the finding of new oil reserves.

I have gone into some detail in the foregoing, as a necessary preface to the complaint which I would now like to register; that is, that the recent abnormal increase in the importation of foreign oil directly

threatens the stability of the oil industry as a whole, and particularly within my own State, where the finding of new reserves is increasingly difficult.

If the unnecessary importation of foreign oil is not checked, it could result in a lowering of the price for crude oil, which is relatively low, compared with the price advances in other products and commodities. A lower price for crude oil, resulting in curtailment of oil reserve finding, is most certainly not in the public interest. It was the reserve ability to produce more oil that adequately fueled our last war; more oil reserves are our No. 1 requirement for national safety. An even greater price for oil would result in the finding of more reserves.

While it is the duty of Congress to protect our domestic economy, I would like to make this observation as a representative of Kansas' taxpayers:

We feel that your committee and our Congress should carefully weigh the proposition we are now facing, of aiding or subsidizing production of oil in foreign countries, which oil will enter our markets to compete and, if unchecked, to demoralize one of our most important and vital industries.

We feel that should those foreign countries offer the same inducements as our Nation offers its citizens, in the finding and producing of oil, private capital of ours, and other nationals would find and produce their oil in abundance.

We understand that foreign oil imports may be curbed voluntarily by the half-dozen importing companies, who most certainly should consider the welfare of our domestic oil industry, and necessary action should be taken in connection with our tariff provisions to restore our former import tariff, or Congress could provide currently for maximum importation quotas.

While it is for Congress to choose the proper method, my appearance here is to respectfully call your attention to the necessity of the protection of our domestic industry. I would like to repeat, however, that foreign nations have an abundance of prospective oil-reserve territory; that the world is looking for oil; that there is an abundance of private capital to find this oil; that reciprocal treatment of private capital in these foreign countries is more vital in this instance, in my opinion, than reciprocal trade agreements; that oil, in my opinion, may be found in foreign lands on such an economic basis that it could bear a tariff sufficient to protect our own most vital industry; that foreign oil should be imported in amounts necessary only to supplement our own production, produced on an efficient basis, to meet our requirements.

I should like, if the committee please, just to supplement that with a few facts and figures on Kansas, and then I will be through.

The CHAIRMAN. Yes, sir. Do you want to put them in the record?

Mr. ROBERTSON. If you please, sir. It won't take but 2 or 3 minutes.

In 1948, 108,107,024 barrels of oil were produced in Kansas for a total value of $279,997,192.

In 1948, Kansas drilled 3,065 wells west of range 8, east of which 1,562 were oil wells, 365 were gas wells, and 1,138 were dry holes.

It will thus be seen, and consideration should be given to the fact, that this drilling was in proven areas, resulting in 42 percent dry holes. When consideration is given to wildcat drilling, the increase in dry holes amounted to 86 percent.

As of February 1, 1949, Kansas had 25,379 producing oil wells, of which 5,440 are in prorated fields, and 19,939 are in unprorated areas, the unprorated areas being areas where a well produces 25 barrels a day or less.

Eastern Kansas is described as being east of range 2 east of the sixth principal meridian. The corporation commission has issued approximately 450 secondary recovery permits, of which 184 are in active operation, with an estimated ultimate recovery of 277,950,000 barrels of crude oil.

Kansas has 15 operating refineries, with a daily capacity of 174,350 barrels, and just in the last 6 months, two refineries have been closed in Kansas, perhaps to take advantage of this imported oil on the Gulf and east coast.

During the month of December 1948 these 15 refineries processed 168,464 barrels of crude oil daily, of which 149,248 barrels were produced in Kansas, 19,216 barrels were imported from other States, with a daily average production of 305,205 barrels for December 1948.

The production of oil and oilfield equipment in Kansas produced approximately $8,399,915 to the producing counties of the State in 1948.

In that connection, I want to say that in Kansas we have no so-called severance tax either.

Oil in Kansas is being produced with a great consideration of the maximum efficient rate of production. Excessive imports of foreign oil, which would curtail the oil production in Kansas, would have an exceedingly bad effect on the economic situation in Kansas, as well as in the whole Nation.

What the petroleum industry in Kansas needs is more exploratory development which will produce more oil and greater reserves, both for the State and the Nation.

The year 1949 promises to be a very successful year with a program of greater development already planned by the independent operators and oil companies. Any curtailment of production will be a draw-back to the petroleum industry of the State and the Nation.

The CHAIRMAN. Thank you, Mr. Robertson.

Mr. ROBERTSON. Thank you, Mr. Chairman and gentlemen of the committee.

The CHAIRMAN. Mr. Brown, have you any other witnesses?

Mr. BROWN. There were two witnesses who came here and who, after we agreed to compact our testimony, willingly agreed to stand aside. But Senator Fulbright of Arkansas insisted that Mr. Murphy have a chance to say a few words.

Mr. Murphy is one of our most successful operators.

Then Mr. Downing, I have been trying to save for the last, because he has gone through more of this than any of the rest of us, and I want him to have a chance to testify.

Those will be the only two.

The CHAIRMAN. All right, Mr. Murphy. If you have a written statement, you can put it in the record, if you desire.

STATEMENT OF C. H. MURPHY, JR., INDEPENDENT OIL OPERATOR OF THE STATE OF ARKANSAS

Mr. MURPHY. I come without notes, so I will have to be brief, Senator. My mind can't hold much at a time. Being from Arkansas, I am accustomed to being near the end of the list anyway.

The CHAIRMAN. We will be glad to hear you, sir.

Mr. MURPHY. The case has been well presented here. I might state that I differ very slightly from my colleagues in the matter of just how we are to "bell this cat."

My view is this. We have recently come into an over-supply situation. Importing companies are bringing in substantial quantities of oil. That quantity is still increasing.

Now, the State regulatory bodies, by the nature of the laws which created them, in almost all cases, must consider above-ground waste. That has been adequately brought out here.

When this over-supply has built up, Texas, and then Kansas and then Oklahoma and then Arkansas have cut back, because they have had no choice. Waste has been threatened, and they have had to restrict their production; and the amount of that cutback now approaches 600,000 barrels a day.

I feel that American nationals, the American companies who are operating abroad, should share in the contribution to stability that the State regulatory bodies have brought into effect. They subscribe to that too. They have all subscribed to the national oil policy as set out by the NPC. The adoption of that document was unanimous.

Most of them, however, take the view that they will do it voluntarily. Now, Senator Connally may remember that voluntary proration was tried down in the oil country, and there is always some fellow, and I don't know which one it would be in this case, because they are all run by fine, able executives, but there is always some fellow under voluntary proration who thinks he is the exception. It is all right for the other fellow, but "I am going to run my business."

Therefore, something should be set up by Congress, to cause imports to be restricted at the same time that it is necessary to artificially restrict domestic production, in order to prevent above-ground waste, and in order to maintain the stability of the industry and the country.

After the Connally Hot Oil Act was passed, Congress gave the States permission to enter into the Interstate Oil Compact Commission, where they could get together and discuss their problems and advise with each other, just as to how this should be done.

Senator CONNALLY. Was not the purpose, though, of the Connally Hot Oil Act to stabilize conditions, rather than to have them run wild?

Mr. MURPHY. Certainly, sir.

Senator CONNALLY. And has there not been substantial progress under the act?

Mr. MURPHY. Very great progress. And the great prosperity of the oil industry and the resulting prosperity of the country has been very largely under the influence of that act.

Now we need some similar rule to be laid down by the policy-making units of the entire country, to bring imports under something resembling the Connally Hot Oil Act, or the Interstate Oil Compact

Commission. I am not saying that the compact commission should have that jurisdiction. I am simply placing the question now on the table for consideration.

And with that, gentlemen, I thank you.

The CHAIRMAN. Thank you very much.

Mr. BROWN. Mr. Chairman, you folks have been very patient with us, and we think we have a very interesting industry, and we think probably the most interesting character in that industry is Warwick M. Downing.

This will be the last witness, Mr. Chairman.

Senator MILLIKIN. Mr. Chairman, Mr. Downing is from Denver, Colo., and is a highly respected citizen out there. He has been a great expert in oil and gas matters ever since I have been in the State, and that is quite a while.

I am delighted to see you here, Mr. Downing.

The CHAIRMAN. You may have a seat if you wish to.

STATEMENT OF WARWICK M. DOWNING, DENVER, COLO.

Mr. DOWNING. No, I am a lawyer, and I am used to standing up.

Mr. Chairman, I feel that the policy that we here advocate has been the policy endorsed by the executive and legislative branches of our Government. I refer to the policy first proposed by the eminent Senator from Wyoming, Senator O'Mahoney, ably supported by Senator Millikin and Senator Edwin Johnson, both members of this committee, our able Senators from Colorado, who supported and put through the Congress the plan of Government spending to develop liquid fuel resources that might be obtained from shale, coal, and other materials. It is known as the Liquid Fuel Act, enacted about 4 or 5 years ago.

Now, that was done for the very purpose for which we are here today. That was done for the purpose of having at all times within continental United States an adequate supply of liquid fuel for all purposes of war and peace. And that work has gone forward since then, under the leadership of these three Senators, supported by the executive and legislative branches of our Government.

Additional appropriations have been made, and the progress made in that work has well justified what was intended.

It was the intention, in developing shale and coal as a source of liquid fuel, not to supplant petroleum, but to be ready, to be prepared, no matter what eventuality may happen. And if and when our petroleum supply should become deficient, which God forbid, we would be ready to step into the breach with something else that would protect us.

Just in passing, I wish to remark that it seems to me that, for this Congress to fail to carry out that policy of making sure against all hazards, might be the beginning of national suicide. It is not a question of a dollar or two one way or the other. It is a question of national existence. What good is a chain except as to its weakest link? What good is it to spend all the money for aircraft, European relief, and everything else, if we haven't an oil supply or a liquid fuel supply with which to operate, and have it here in America, where it is available every minute, instead of having it over there in Arabia, or in any foreign country.

Mention has been made of war, but you remember what happened in Mexico in time of peace. The Mexican Government decided, "We are going to take over all the oil industry of this country." And they took it over. It seemed like they had a right to do it. They didn't pay for it, and by government ownership, they have ruined it.

So I say there is not only that danger in case of war, but danger even in peace, that any foreign supply may be cut off.

And remember this: If in time of peace we don't prepare, if we don't provide an abundant accessible supply of petroleum, that is an open, plain invitation, as I view it, to a foreign aggressor to attack us. And when attack comes, if we are not ready, it means possibly that our existence as a free nation may terminate. So I can't overemphasize the importance of the question that we are trying here to present to you.

We have here in America the men, we have the national resource, we have the brains, we have the money, to make ourselves independent of all other sources of liquid fuel supply, and to look the future in the face with courage and confidence.

First as to our resources, just very briefly.

It seems the more oil we need, the more we have produced. And as has been well said, there is no danger in the foreseeable future of any shortage of oil. We can make gasoline from petroleum and from gas, but think of the shale. Think of it, gentlemen, 300 billion barrels of shale oil in our own State of Colorado. That is the estimate of the Bureau of Mines. Six to eight times more than we have discovered from the beginning of time, in the way of liquid fuel.

And Colorado isn't the only State that has shale oil. There is Wyoming, Utah, and in time there will be a great many other States. And then there is our coal. Think of the coal, trillions of tons of it. It just happens that in our State, excluding some of the low-grade lignite coals of North Dakota, we are the second State in coal resource.

Wyoming and Colorado together have more than half, a good deal more than half, of the coal supply. And coal also can be converted into liquid fuel, that will serve the purpose just as well as petroleum.

Furthermore, as to the supplying of oil in this country, Mr. Franklin has told you about the stratographic traps. Experience has told us that about half of the oil in this country is in stratographic traps. And yet I would say nine-tenths or a greater percentage than that of the oil fields found so far have been structural traps rather than stratographic.

But above all else, we have got the brains. When it comes to brains, remember what the technical men did on cracking oil. They doubled at one stroke the value of our petroleum supply, by making 1 gallon do the work of 2. It was our brains that developed the seismograph, with which great vats supplies of petroleum have been found.

You just trust to the American people and to the brains of the American people, and methods will be found of finding the structural traps.

I just happened to bring with me a book put out by the American Association of Petroleum Geologists, entitled "Possible Future Oil Provinces of the United States and Canada." And there is here a map which shows that possibly a quarter of the United States is possible oil territory. And how much of that will turn out to be oil

producing I don't know. All I do know is that if there ever is a shortage, just come out to the Rocky Mountain area, and God bless you, we will give you all the liquid fuel you will need for the next thousand years if necessary.

Just one thing more. There is lots more I could say, but I know the time is late.

While I am on my feet, I want to refer to something you don't appreciate; something that none of you appreciate, and that is the value of the personnel of the oil industry. And I am referring not to the big men but to the little men, the independents in the oil industry, the workers. And gentlemen, if you slacked down the oil industry, if you put these men out of business, if you say to them, "We are going to depend on foreign oil," you have done an incalculable harm, because never again will this country see such an aggregation of talent, brains, industry, ambition, as represented in the oil industry today, as has been shown by their accomplishments.

For instance, the wildcatters. The wildcatter of the type that has made America, the pioneer, the boy that goes out and spends his money and finds something and does something, and makes two blades of grass grow where there was one. It is that spirit that made us what we are, and that is the spirit of the wildcatter.

And the roughneck: that well describes his occupation. He is the boy who does the hard work. And yet everyone, nearly everyone of these boys in the oil industry, dreams of the time when he will own his own well.

Then there is the lease man. And let us not forget the technical men, the men like the boys who have discovered cracking, and who know how to drill wells 3 miles deep and how to produce every barrel possible, the seismograph men, and the men in the refinery departments.

And lets also not forget the men in the State regulatory bodies of this Nation and the members of the Interstate Oil Compact Commission. I am here to defend them. No matter from what source the attack may come, I want to say that they have done a magnificent job.

The conservation of oil and gas in this country, under the authority of the State regulatory bodies, has been one of the greatest accomplishments in the history of our Nation.

Take, in Texas, the work done by the railroad commission. They have made a field that was supposed to contain 2,000,000,000 barrels of oil produce approximately 2,000,000,000 with 4,000,000 left. Conservation practices as enforced by State agencies gave us the oil to win the war.

All we say is: You can't run the oil business on half speed. You can't shut it down. It has to go forward or disintegrate. This is the question which I think the Congress must decide. Break it up, or let us go ahead. Btu remember the operating personnel of the industry is irreplaceable. It is almost as valuable as the oil itself.

And just one other thought. It is sometimes argued that a lot of the big oil companies are making money. Well, you know why it is. Because of the income tax, or some other purpose, they base their profits on discoveries made maybe 5 or 10 years ago, when the cost was a third of what it is now. If you take costs at what they were before there were these inflationary increases in prices and wages, of course you show a big profit.

But with the independent, that is not so. If he goes out to find oil, he has got to pay present day price. He has got to pay wages that are doubled or trebled. He has to pay for materials that are up two or three times. He has to drill wells maybe two or three times deeper. More wells drilled are dry. Considering his costs, the present price of oil gives him very little profit. Yet we must remember that the independent wildcatter is responsible for 80 percent of all the oil ever discovered in America, and we dare not put him out of business.

Now, as to this market, Senators, there has been no greater commercial prize ever dangled before the human imagination than the prize of the American market for gasoline. We have some four or five American importers, and I think there are some two or three Europeans, two at least, and I think three. Let us forget the Americans. We will assume that there are Americans in business as well as in patriotic declarations. But as far as the foreign companies are concerned, do you think they are going to leave this market alone and let the American oil industry exist or foster it, when they have oil to sell and they have more oil to sell than they can sell in Europe .

And if you let the bars down and leave the doors open so that foreign oil can be imported here without limit, you will destroy in the end the American industry and one of the most marvelous and successful organizations that has been put together by men.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Downing.

Mr. BROWN. You have been very patient with us, and that is all of our witnesses.

There are two telegrams from NewMexico witnesses who could not come, and I would like to have those placed in the record, if I may.

The CHAIRMAN. They may be inserted in the record.

(The telegrams referred to are as follows:)

ARTESIA, N. MEX., *February 17, 1949.*

WIRT FRANKLIN,
Mayflower Hotel:

Imports serious threat to oil industry on us. Some method of control necessary if industry is to remain strong.

NEW MEXICO OIL AND GAS ASSOCIATION,
EMERY CARPER, *President.*

ARTESIA, N. MEX., *February 17, 1949.*

WIRT FRANKLIN,
Mayflower Hotel, Washington, D. C.:

Know of no one better qualified to represent small oil producers. The life of thousands of small producers depend upon regulation of imports especially after the whipping we have taken for the past 10 years. Likewise it would seem to many of us that it would be to the advantage of the country to retain as many independents as possible actively engaged in trying to find additional reserves.

FRED BRAINARD.

Senator MARTIN. Mr. Chairman, I would like to suggest if it is not in your statement there, Mr. Brown, that the committee could well use information on the domestic requirements of the United States for oil, information as to how much is now being imported daily, and, I think, information as to where it is imported from? I think that would be valuable information, Mr. Chairman, for this committee.

Mr. BROWN. We will be very glad to furnish it.

The CHAIRMAN. If that is not covered, please cover it, Mr. Brown

Mr. BROWN. We will be glad to furnish that information, sir.

(The information requested is as follows:)

UNITED STATES OIL SUPPLY AND DEMAND, 1949

The domestic consumption of petroleum and products in 1948 averaged 5,760,000 barrels per day according to the United States Bureau of Mines, representing an increase of between 5 and 6 percent over 1947 consuption. A further increase in the neighborhood of 5 percent in 1949 would be a normal expectation indicating a probable domestic requirement this averaging perhaps 6,050,000 barrels per day.

In comparison with these demand figures, actual production in the United States during December 1948 was 6,123,000 barrels per day according to the United States Bureau of Mines. In other words, recently attained rates of output appear now to be more than adequate to meet all the 1949 requirements without considering the increased availability that normally results from continuing exploration and development. For example, the comprehensive industry report on future petroleum supplies, completed in November of last year, shows a probable availability in 1949 ranging up to 6,300,000 barrels per day from domestic sources.

Further evidence of the adequacy of domestic supply is found in the fact that oil inventories have increased by all-time record volumes and are about 110 million barrels or 20 percent above last year.

On February 17, 1949, Secretary of the Interior J. A. Krug stated in a letter to Senator Connally that—

Meanwhile, although demand for oil in the United States continued to increase, the supply of oil increased even more rapidly, so that at the end of 1948, the United States had reestablished domestic self-sufficiency.

United States imports of crude petroleum and its products year 1948 by quarterly periods

[Thousand barrels daily]

	First quarter	Second quarter	Third quarter	Fourth quarter [1]
BY PRODUCTS				
Crude oil	286	338	362	417
Residual fuel oil	179	135	140	121
All other	16	14	7	17
Total	481	487	509	555
BY SOURCES				
Venezuela	256	273	234	272
Netherlands West Indies	170	137	188	133
Middle East	9	39	99	110
Colombia	16	24	27	28
Mexico	28	14	8	9
All other	2	----------	3	3
Total	481	487	509	555
BY DESTINATION				
New York	170	171	182	203
Pennsylvania, Maryland, Virginia	233	234	251	252
Gulf ports	3	8	14	31
All other	75	74	62	69
Total	481	487	509	555

[1] Based on October and November average.

Prepared by the Independent Petroleum Association of America based on data from the U. S. Department of Commerce.

Senator MARTIN. There is one other thing, Mr. Brown, I would like to suggest to you. The judge referred to the work of Senator Millikin, and Senator Johnson, and Senator O'Mahoney, and the study or laboratory work that had been done.

There might be entered into the record the work that is now being done just south of Pittsburgh by the Standard of New Jersey and the Pittsburgh Consolidated Coal Co., where it would look to me that in a couple of years they will probably be producing quite a little oil and gasoline and commercial alcohol, and so forth. That would, I think, aid this committee.

The thing that has been a surprise to me, Mr. Chairman, is the amount of our discovered reserves. It is very encouraging to have that amount.

Senator Williams and I have been calculating that what we have right now is going to take care of present consumption for almost 12 years. And that is about as good as anything we have had in the history of the United States, as far as reserves for the future are concerned.

Mr. BROWN. And we are encouraged that each year we have been able to find a little more.

The information requested by Senator Martin is not available to us but could undoubtedly be obtained directly from the companies involved.

The CHAIRMAN. Very well.

Senator MARTIN. Of course, I do not know whether they want to develop that very fast.

There was something brought out here that I think, if you do not have it in your statement, ought to be expounded a little further, and that is that some of these men who are American companies are very anxious to sell as rapidly as possible their discoveries in European countries; because in case of war, we know that that probably would be cut off. In the high strategy of war, the desirable thing is to have your supplies within your own lines.

Mr. BROWN. We will develop that. I think I have it fairly well covered, but I will check to be sure, and if not, I will be glad, with the chairman's permission, to supplement that at the right time.

Thank you very much.

Senator MILLIKIN. Mr. Chairman, may I ask whoever is the State Department representative here today to come forward, please?

Will you see if you can get that information as promptly as possible?

Mr. CORSE (Carl D. Corse, Associate Chief, Division of Commercial Policy). Yes, sir.

(The following information requested by Senator Millikin was supplied by the State Department:)

DEPARTMENT OF STATE,
Washington, February 23, 1949.

HON. WALTER F. GEORGE,
United States Senate.

MY DEAR SENATOR GEORGE: On Monday Senator Millikin made a series of requests for information, including a list of individuals going to Annecy and a statement of their qualifications and background.

The composition of this delegation has not yet been determined by the President and the Secretary of State. It is expected, however, that the delegation will consist entirely of experts from the various agencies participating in the interdepartmental trade-agreements organization.

As soon as the membership of the delegation is known, the information you desire will be sent to you.

Sincerely yours,

ERNEST A. GROSS,
Acting Assistant Secretary
(For the Secretary of State).

List of items in schedules II and III of the trade agreement with Mexico, effective Jan. 30, 1943, showing preagreement duties and concessions made by the United States in the agreement

SCHEDULE II

Paragraph No. in Tariff Act of 1930	Brief description	Unit	Rate of duty before agreement	Rate of duty after agreement [1]
1	Naphthenic acids	Ad val	25%	12½%.
48	Citrus fruit juices, unfit for beverage purposes.	Lb	5¢	2½¢.
77	Zinc oxide:			
	Dry	Lb	1¾¢	1¼¢.
	Ground in or mixed with oil or water	Lb	2¼¢	1½¢.
90	Turpentine and rosin	Ad val	5%	2½%.
92	Vanilla beans	Lb	15¢	15¢.
93	Zinc sulphate	Lb	¾¢	½¢.
202 (a)	Cement floor and wall tiles:			
	Valued at not more than 40¢ per sq. ft.	Sq. ft.	10¢, but not less than 50% nor more than 70% ad val.	5¢ but not less than 25% nor more than 35% ad val.
	Valued at more than 40¢ per sq. ft	Ad val	60%	30%.
202 (b)	Mantles, friezes, and articles of tiling	Ad val	50%	25%.
207	Fluorspar:			
	More than 97% calcium fluoride	Ton	$4.20	$4.20.
	Not more than 97% calcium fluoride	Ton	$8.40	$6.30.
210	Earthenware of unmixed clay and stoneware:			
	Not ornamented	Ad val	15%	10%.
	Ornamented	Ad val	20%	10%.
211	Earthenware having body not artificially colored and composed wholly of clay: Not painted or ornamented.	Doz. and ad val.	10¢ and 45%	5¢ and 25%.
	Painted or ornamented	Doz. and ad val.	10¢ and 50%	5¢ and 25%.
213	Graphite: Amorphous	Ad val	5%	5%.
218 (f)	Bubble glass	Ad val	60%	30%.
232 (a)	Onyx	Cu. ft	32½¢	32½¢.
302 (b)	Molybdenum ore or concentrates	Lb. of metallic content.	35¢	17½¢.
339	Table, household, kitchen, and hospital utensils of tin or tinplate.	Ad val	40%	22½%.
391	Lead-bearing ores, flue dust, and mattes	Lb. on lead content.	1½¢	¾¢.
	Lead in zinc ores	Lb. on lead content.	1½¢	¾¢.
	Provided, That effective thirty days after the termination of the unlimited national emergency proclaimed by the President of the USA on May 27, 1941, the rate of duty on lead-bearing ores, flue dust, and mattes of all kinds shall be.			1⅛¢.
392	Lead bullion or base bullion, lead in pigs and bars, etc.	Lb. on lead content.	2⅛¢	1⅛¢.
	Provided, That effective thirty days after the termination of the unlimited national emergency proclaimed by the President of the USA on May 27, 1941, the rate of duty on the foregoing articles shall be.			1⅞¢.
393	Zinc-bearing ores of all kinds, except pyrites containing not more than 3 per centum zinc.	Lb. on zinc content.	1⅛¢	¾¢.
	Provided, That effective thirty days after the termination of the unlimited national emergency proclaimed by the President of the USA on May 27, 1941, the rate of duty on the foregoing articles shall be.			1⅛¢.

[1] Additional concessions have been made in subsequent agreements in some of the rates of duty shown in this column.

List of items in schedules II and III of the trade agreement with Mexico, effective Jan. 30, 1943, showing preagreement duties and concessions made by the United States in the agreement—Continued

SCHEDULE II—Continued

Paragraph No. in Tariff Act of 1930	Brief description	Unit	Rate of duty before agreement	Rate of duty after agreement [1]
394	Zinc:			
	In blocks, pigs, or slabs, and zinc dust	Lb	1²⁵⁄₁₀₀¢	7/8¢.
	In sheets	Lb	2¢	1¢.
	In sheets coated or plated with nickel, etc.	Lb	2¼¢	1⅛¢.
	Old and worn-out zinc, etc	Lb	1½¢	¾¢.
	Provided, That effective thirty days after the termination of the unlimited national emergency proclaimed by the President of the U. S. A. on May 27, 1941, the foregoing articles shall be dutiable as follows:			
	Zinc in blocks, pigs, or slabs, and zinc dust.	Lb		1⅜¢.
	Zinc in sheets	Lb		2¢.
	Zinc in sheets, coated, etc	Lb		2¼¢.
	Old and worn-out zinc, etc	Lb		1½¢.
397	Articles of wares of tin or tinplate	Ad val	45%	22½%.
401	Pine lumber and timber, sawed:			
	Northern white and Norway	M ft	50¢	50¢.
401 and sec. 3424 (a), IRC.	Other	M ft	50¢ and $1.50	50¢ and $1.50.
404 and sec. 3424 (a), IRC.	Mahogany, sawed and flooring	Ad val. and M. ft.	7½% and $1.50	7½% and $1.50.
407	Packing boxes and shooks	Ad val	15%	7½%.
408	Containers for citrus fruits	Ad val	25%	12½%.
412	Spring clothespins	Gross	15¢	10¢.
701	Cattle:			
	Weighing less than 200 lbs. each:			
	Within quota of 100,000 head entered in any calendar year.	Lb	1½¢	1½¢.
	In excess of quota	Lb	2½¢	1½¢.
	Weighing 200–700 lbs	Lb	2½¢	1½¢.
	Weighing more than 700 lbs. each:			
	Within quota of 225,000 head in any calendar year.	Lb	1½¢	1½¢.
	In excess of quota	Lb	3¢	1½¢.
	Provided, That after termination of national emergency, and termination by proclamation of abnormal situation with respect to cattle and meats, any of the foregoing cattle shall be dutiable as follows:			
	Cattle weighing less than 200 pounds each in excess of 100,000 head in any calendar year.	Lb		2½¢.
	Cattle weighing 200–700 pounds each in excess of 400,000 in any calendar year.	Lb		2½¢.
	Cattle weighing more than 700 lbs. each in excess of 225,000 head in any calendar year.	Lb		2½¢.
701	Dried blood albumen	Lb	12¢	6¢.
702	Sheep and lambs	Head	$3	$1.50.
711	Bobwhite quail	Each	50¢	25¢.
714	Horses	Head	$15	$15.
714	Mules	Head	$30	$15.
715	Asses and burros	Ad val	15%	7½%.
716	Honey	Lb	1½¢	1½¢.
717 (a)	White sea bass or totoaba	Lb	1¢	½¢.
717 (c)	Shark fins	Lb	1½¢	¾¢.
730	Mixed feeds	Ad val	5%	5%.
736	Berries (except blueberries), preserved	Ad val	35%	17½%.
743	Limes	Lb	1½¢	1¢.
746	Mangoes	Lb	15¢	7½¢.
747	Pineapples, in crates	Crate	35¢	35¢.
747	Pineapples, in bulk	Each	9/10¢	9/10¢.
752	Watermelons	Ad val	35%	20%.
752	Guavas, prepared or preserved	Ad val	17½%	17½%.
765	Lima beans, green or unripe:			
	Dec. 1–May 31	Lb	3½¢	2½¢.
	June 1–Nov. 30	Lb	3½¢	3½¢.
765	Beans, n. s. p. f., green or unripe, other than lima.	Lb	3½¢	2¢.

List of items in schedules II and III of the trade agreement with Mexico, effective Jan. 30, 1943, showing preagreement duties and concessions made by the United States in the agreement—Continued

SCHEDULE II—Continued

Paragraph No. in Tariff Act of 1930	Brief description	Unit	Rate of duty before agreement	Rate of duty after agreement [1]
765	Black-eye cowpeas, dried	Lb	3¢	1½¢.
769	Peas, green or unripe, July 1 to Sep. 30, incl.:			
	Full-duty imports	Lb	2¢	2¢.
	Oct. 1 to June 30, incl	Lb	3/10¢	2¢.
769	Chickpeas or garbanzos	Lb	1¾¢	1¢.
770	Garlic	Lb	1½¢	¾¢.
772	Tomatoes in natural state:			
	Full duty imports	Lb	3¢	1½¢.
	Dec. 1 to last day of following Feb	Lb	1 9/10¢	1 3/10¢.
	Mar. 1 to Nov. 30	Lb	2 9/10¢	1 3/10¢.
	Provided: That effective 30 days after the President of the United States of America, after termination of the unlimited national emergency proclaimed on May 27, 1941, shall have proclaimed that the abnormal situation in respect of tomatoes has terminated, the rate of duty on tomatoes in their natural state shall be.	Lb		2¼¢.
774	Peppers, natural state	Lb	2½¢	1½¢.
774	Eggplant:			
	Dec. 1 to Mar. 31 incl. full-duty imports	Lb	1½¢	1½¢.
	April 1 to Nov. 30, full-duty imports	Lb	1½¢	1½¢.
774	Cucumbers:			
	Dec. 1 to last day Feb., full-duty imports	Lb	3¢	2 3/5¢.
	Mar. 1 to Nov. 30, full-duty imports	Lb	3¢	3¢.
774	Squash: Full-duty imports	Lb	2¢	1½¢.
802	Spirits	Gal	$5	$2.50.
805	Ale, porter, stout, beer	Gal	50¢	25¢.
1005 (a)	Cordage:			
	Sisal, henequen, or other hard fiber, except manila, three-fourths inch in diameter and larger.	Lb	2¢ or 1¢	1¢.
	Any of foregoing smaller than three-fourth of an inch additional duty.		15% or 7½% ad val.	7½%.
1005 (b)	Hard fiber cords or twines		20% ad val	20% ad val.
1111	Blankets and similar articles if handwoven:			
	Value not more than $1 lb	Lb	30¢ and 36% ad val.	20¢ and 20% ad val.
	Value more than $1 but not more than $1.50 lb.	Lb	33¢ and 36% ad val.	20¢ and 20% ad val.
	Value more than $1.50 lb	Lb	40¢ and 36% ad val.	20¢ and 20% ad val.
1410	Books foreign authorship		7½% ad val	7½% ad val.
1504 (a)	Hat braids		15% ad val	7½% ad val.
1504 (b)	Harvest hats		12½% ad val	12½% ad val.
1516	Wax matches		40% ad val	20% ad val.
1530 (b) (1)	Sole or belting leather		10% ad val	10% ad val.
1530 (e)	Huaraches		20% ad val	10% ad val.
	Slippers (for housewear)		20% ad val	10% ad val.
1530 (e)	Men's, youths', and boys' boots		20% ad val	10% ad val.
1551	Motion-picture film:			
	Negatives:			
	Exposed, not developed	Lin. ft	2¢	1¢.
	Exposed and developed	Lin. ft	3¢	1½¢.
	Positives: Prints or duplicates	Lin. ft	1¢	½¢.
1555	Waste, n. s. p. f.		7½% ad val	7½% ad val.
1558	Istle or Tampico fiber		20% ad val	10% ad val.
1601	Sulphuric acid or oil of vitriol		Free	Bound free.
1602	Jalap		do	Do.
1606 (a)	Bulls or cows for breeding		do	Do.
1608	Antimony ore		do	Do.
1614	Arsenious acid		do	Do.
1618	Bananas		do	Do.
1622	Binding twine		do	Do.
1624	Fish sounds		do	Do.
1654	Coffee		do	Do.
1664	Metallic mineral substances n. s. p. f.		do	Do.
1669	Fish livers		do	Do.
1678	Sharkskins		do	Do.
1682	Live game animals or birds for stocking purposes.		do	Do.
1684	Henequen, istle or Tampico fiber		do	Do.
1685	Guano		do	Do.
1685	Manures		do	Do.
1685	Fish scrap and fish meal for fertilizers		do	Do.

List of items in schedules II and III of the trade agreement with Mexico, effective Jan. 30, 1943, showing preagreement duties and concessions made by the United States in the agreement—Continued

SCHEDULE II—Continued

Paragraph No. in Tariff Act of 1930	Brief description	Unit	Rate of duty before agreement	Rate of duty after agreement [1]
1686	Chicle, crude		do	Do.
1695	Horses or mules for slaughter		do	Do.
1697	Guayule rubber		do	Do.
1710	Liquid petroleum asphaltum		Free plus ½¢ per gal. import tax.	Free plus ¼¢ per gal. import tax.
1728	Sarasparilla root		Free	Bound free.
1731	Distilled oils:			
	Lime		do	Do.
	Lignaroe or bois de rose		do	Do.
1733	Oils, mineral:			
	Petroleum, crude and fuel oil:			
	Petroleum, crude:			
	Within quota	Gal	Free plus ¼¢ per gal. import tax.	Free plus ¼¢ per gal. import tax.
	Full duty imports	Gal	Free plus ½¢ per gal.	Free plus ¼¢ per gal.
	For supplies of vessels		Free	Bound free.
	Gas oil:			
	Within quota	Gal	Free plus ¼¢ per gal. import tax.	Free plus ¼¢ per gal. import tax.
	Full duty imports	Gal	Free plus ½¢ per gal. import tax.	Free plus ¼¢ per gal. import tax.
	For supplies of vessels		Free	Bound free.
	Residual fuel oil:			
	Within quota	Gal	Free plus ¼¢ per gal. import tax.	Free plus ¼¢ per gal. import tax.
	Full-duty imports	Gal	Free plus ½¢ per gal. import tax.	Free plus ¼¢ per gal. import tax.
	For supplies of vessels		Free	Bound free.
	Topped crude:			
	Within quota	Gal	Free plus ¼¢ per gal. import tax.	Free plus ¼¢ per gal. import tax.
	Full-duty imports	Gal	Free plus ½¢ per gal. import tax.	Free plus ¼¢ per gal. import tax.
	For supplies of vessels		Free	Bound free.
	Kerosene	Gal	Free plus ½¢ per gal. import tax.	Free plus ¼¢ per gal. import tax.
	For supplies of vessels		Free	Bound free.
1743	Plaster rock and gypsum		do	Do.
1761	Spiny lobsters		do	Do.
1761	Shrimps and prawns		do	Do.
1761	Albalone		do	Do.
1765	Reptile skins		do	Do.
1768 (1)	Pimento		do	Do.
1768 (2)	Anise seed		do	Do
1775	Rottenstone, tripoli and sand		do	Do.
1796	Candelilla wax		do	Do.
1802	Charcoal		do	Do.
1803 (2)	Mahogany		do	Do.
1803 (2)	Spanish cedar		do	Do.
1803 (2)	Primavera		do	Do.

SCHEDULE III

202 (a)	Earthen floor and wall tiles: Valued at not more than 40¢ per sq. foot	Sq. ft	10¢ per sq. ft. but not less than 50%, nor more than 70% ad valorem.	5¢ per sq. ft. but not less than 25% nor more than 35% ad valorem.

List of items in schedules II and III of the trade agreement with Mexico, effective Jan. 30, 1943, showing preagreement duties and concessions made by the United States in the agreement—Continued

SCHEDULE III—Continued

Paragraph No. in Tariff Act of 1930	Brief description	Unit	Rate of duty before agreement	Rate of duty after agreement [1]
	Valued at more than 40¢ per square foot:			
	Glazed clay	Sq. ft.	26¢ per sq. ft. but not less than 30% nor more than 60% ad valorem.	30% ad valorem.
	Other	Sq. ft.	60% ad valorem.	30% ad valorem.
217	Glass bottles:			
	If holding more than 1 pint		1¢ per lb.	½¢ per lb.
	If holding not more than 1 pint and not less than one-fourth of 1 pint.		1½¢ lb.	¾¢ per lb.
	If holding less than one-fourth of 1 pint		50¢ per gross	25¢ per gross.
397	Articles or wares n. s. p. f. of silver		50% ad valorem.	32½¢ ad valorem.
411	Baskets		50% ad valorem.	25% ad valorem.
412	Bentwood furniture		42½% ad valorem.	22% ad valorem.
718 (a)	Tuna, prepared or preserved		45% ad valorem.	22½% ad valorem.
730	Vegetable oilcake and oilcake n. s. p. f.:			
	Coconut or copra	Lb.	3/10¢	1/5¢.
	Cottonseed	Lb.	3/10¢	1/5¢.
	Soybean	Lb.	3/10¢	1/5¢.
747	Pineapples: Full duty imports	Lb.	1½¢	1¢.
1513	Dolls and doll clothing:			
	Containing lace or embroidery		90% ad val.	45% ad val.
	Other (except of celluloid)		70% ad val.	35% ad val.
1513	Toys, of china or earthenware		70% ad val.	35% ad val.
1527 (a) (2)	Jewelry (other than of gold or platinum):			
	Valued above 20¢ but not above $5 per doz. pieces.		1¢ each plus 3/5¢ per doz. for each 1¢ the value exceeds 20¢ per doz. and 50% ad valorem.	½¢ each plus 3/10¢ per doz. for each 1¢ the value exceeds 20¢ per doz. and 25% ad valorem.
	Valued above $5 per dozen pieces		3/5¢ each plus 3/5¢ per doz. for each 1¢ the value exceeds 20¢ per doz. and 25% ad val.	½¢ each plus 3/10¢ per doz. for each 1¢ the value exceeds 20¢ per doz. and 25% ad val.

List of items in schedule I of the trade agreement with Mexico showing preagreement duties, concessions obtained by the United States in the agreement, and present Mexican import duties

Mexican tariff fraction	Brief description	Unit	Preagreement duty (pesos)	Agreement duty (pesos)	Present duty (pesos and ad valorem)
1.01.42	Cattle for breeding, except milk cows	Head	(1)	(1)	(1).
1.20.00	Sausages of meat	L. K.	0.70	0.70	0.35 and 15%.
1.20.02	Ham, raw or cooked	L. K.	.70	.70	0.30 and 15%.
1.20.03	Bacon	L. K.	.70	.70	0.20 and 20%.
1.20.10	Canned meats, not specified	L. K.	.70	.70	0.60 and 35%.
1.20.19	Canned meat foods, even when containing vegetable products in any proportion, unspecified.	L. K.	.70	.70	0.40 and 25%.
1.21.02	Canned salmon	L. K.	.70	.70	0.80 and 25%.
1.21.04	Canned sardines	L. K.	.70	.70	0.50 and 20%.
1.22.00	Eggs, fresh	G. K.	.40	.40	0.20 and 25%.
1.22.12	Milk, evaporated	L. K.	.40	.40	0.20 and 30%.

[1] Free.

List of items in schedule I of the trade agreement with Mexico showing preagreement duties, concessions obtained by the United States in the agreement, and present Mexican import duties—Continued

Mexican tariff fraction	Brief description	Unit	Preagreement duty (pesos)	Agreement duty (pesos)	Present duty (pesos and ad valorem)
1. 22. 13	Milk in powder or pastiles, up to 5 kilograms.	L. K.	0. 40	0. 30	0.10 and 6%.
1. 22. 14	Milk in powder or pastilles, more than 5 kilograms.	L. K.	.40	.30	0.15 and 10%.
1. 22. 15	Butter	L. K.	.80	.80	0.60 and 20%.
1. 22. 17	Cheddar cheese	L. K.	.80	.80	0.25 and 5%.
1. 23. 20	Stearic acids, in cakes	G. K.	.25	.25	0.25 and 15%.
1. 23. 33	Animal fats, hydrogenated	G. K.	.45	.35	0.25 and 25%.
1. 23. 40	Hog lard in tank cars and tankers	N. K.	.23	.18	0.10 and 10%.
1. 23. 41	Hog lard in other containers	G. K.	.32	.25	0.25 and 16%.
1. 30. 09	Tanned hides, without hair	L. K.	5. 50	5. 50	3.20 and 10%.
2. 10. 01	Onions	G. K.	.03	.02	0.02 and 10%.
2. 10. 16	Wheat	G. K.	.10	.06	0.06 and 20%.
2. 10. 18	Oats, hulled (including oatmeal)	G. K.	.15	.10	0.03 and 15%.
2. 10. 20	Canned vegetable foods, not specified	L. K.	.50	.40	0.15 and 15%.
2. 10. 21	Canned asparagus	L. K.	.50	.40	0.15 and 15%.
2. 10. 24	Tomato sauce	L. K.	.60	.60	0.35 and 60%.
2. 10. 25	Canned tomatoes	L. K.	.60	.60	0.45 and 45%.
2. 13. 01	Plums	G. K.	.35	.25	0.07 and 25%.
2. 13. 03	Peaches	G. K.	.35	.25	0.09 and 30%.
2. 13. 04	Fresh fruit, not specified	G. K.	.35	.25	0.35 and 65%.
2. 13. 06	Apples	G. K.	.35	.30	0.25 and 55%.
2. 13. 08	Pears	G. K.	.35	.25	0.20 and 30%.
2. 13. 09	Grapes	G. K.	.35	.25	0.20 and 30%.
2. 13. 13	Sliced dried fruits	G. K.	.80	.20	0.15 and 10%.
2. 13. 15	Prunes	G. K.	.80	.40	0.35 and 40%.
2. 13. 17	Raisins	G. K.	.80	.50	0.45 and 45%.
2. 13. 24	Canned fruits in sirup or in their juice	L. K.	2. 00	2. 00	0.85 and 80%.
2. 13. 33	Walnuts, unshelled	G. K.	.80	.60	0.35 and 25%.
2. 13. 35	Walnuts, shelled	G. K.	1. 00	.80	0.25 and 15%.
2. 14. 04	Wheat flour	L. K.	.28	.28	0.10 and 35%.
2. 14. 14	Prepared cereals and flour	L. K.	.80	.65	0.20 and 30%.
2. 20. 01	Oats, unhulled	G. K.	.05	.05	0.02 and 10%.
2. 20. 02	Barley in the grain	G. K.	.05	.04	0.03 and 10%.
2. 31. 22	Cottonseed	G. K.	.08	.06	0.03 and 8%.
2. 31. 30	Barley malt	G. K.	.17	.17	0.10 and 25%.
2. 31. 32	Hops	L. K.	.28	.20	0.09 and 2%.
2. 31. 61	Raw tobacco, Virginia type	L. K.	2. 30	2. 00	0.56 and 20%.
2. 31. 63	Raw tobacco, not specified, filler	L. K.	2. 30	2. 30	0.97 and 20%.
2. 41. 00	Cocoa butter	L. K.	.40	.40	0.50 and 10%.
2. 43. 00	Cigarettes	L. K.	7. 00	7. 00	2.95 and 60%.
2. 50. 10	Plywood	G. K.	.10	.10	0.05 and 10%.
2. 50. 31	Boards, planks, or beams, of pine and spruce, up to 55 millimeters in thickness and more than 3.25 meters in length.	100 G. K.	3. 40	3. 40	0.95 and 10%.
2. 50. 34	Boards, planks, or beams, of pine and spruce, more than 90 millimeters in thickness.	100 G. K.	.40	.40	0.30 and 1%.
2. 50. 43	Boards, planks, or beams, not specified, up to 55 millimeters in thickness and more than 3 meters in length.	100 G. K.	.70	.70	0.35 and 3%.
2. 50. 54	Ordinary wood in boards, tongued, overlapped or grooved.	G. K.	.04	.04	0.01 and 10%.
2. 50. 57	Pulp and fiber boards, weighing over 2 kilos per square meter.	G. K.	.04	.04	0.01 and 5%.
2. 50. 60	Wooden ties, creosoted	100 G. K.	.50	.50	0.10 and 3%.
2. 50. 61	Wooden posts, over 4 meters in length	100 G. K.	.40	.40	0.25 and 2%.
2. 50. 62	Logs of ordinary wood	100 G. K.	.40	.40	0.15 and 5%.
2. 71. 10	Wooden furniture, not upholstered	L. K.	.90	.90	0.50 and 15%.
2. 71. 11	Wooden furniture, upholstered	L. K.	1. 20	1. 20	0.65 and 10%.
2. 71. 20	Furniture of ordinary wood, not upholstered.	L. K.	.50	.50	0.35 and 10%.
2. 71. 21	Furniture of ordinary wood, upholstered	L. K.	.75	.75	0.35 and 10%.
3. 01. 04	Gas for lighting or fuel, in cylinders or drums, except acetylene.		(1)	(1)	(1).
3. 01. 05	Gas for lighting or fuel, in tank cars, except acetylene.		(1)	(1)	(1).
3. 01. 30	Lubricating greases, weighing up to 1 kilo	G. K.	.25	.25	0.05 and 20%.
3. 01. 31	Lubricating greases, weighing more than 1 kilo but not more than 5 kilos.	G. K.	.13	.13	0.03 and 10%.
3. 01. 32	Lubricating greases, weighing more than 5 kilos.	G. K.	.09	.09	0. 04 and 10%.
3. 01. 40	Mineral wax and paraffin	G. K.	.14	.14	0.06 and 15%.
3. 21. 09	Refractory clay or earth, not specified	100 G. K.	.60	.60	0.45 and 7%.
3. 25. 02	Sulfur	100 G. K.	1. 50	1. 50	0.70 and 8%.
3. 29. 12	Cement, Roman or Portland	G. K.	.02	.02	0.01 and 15%.
3. 31. 85	Refractory brick and tile, with base of silicate of aluminum or silica.	100 G. K.	1. 50	1. 50	1.35 and 5%.
3. 31. 86	Refractory brick and tile, not specified	100 G. K.	.20	.20	0.23.

[1] Free.

List of items in schedule I of the trade agreement with Mexico showing pre-agreement duties, concessions obtained by the United States in the agreement, and present Mexican import duties—Continued

Mexican tariff fraction	Brief description	Unit	Preagreement duty (pesos)	Agreement duty (pesos)	Present duty (pesos and ad valorem)
3.33.00	Faience ware, not specified	G. K	0.80	0.80	0.30 and 30%.
3.34.35	Glass and crystal, flat	G. K	.20	.20	0.09 and 15%.
3.34.70	Glass or crystal worked in pieces, up to 300 grams.	G. K	.70	.70	0.40 and 35%.
3.34.71	Glass or crystal worked in pieces, more than 300 grams.	G. K	.60	.60	0.45 and 30%.
3.51.19	Copper tubing		[1]	[1]	[1].
3.53.03	Iron or steel wire, twisted or barbed, for fences.	100 G. K	.50	.50	0.01 and 1%.
3.54.06	Screws and rivets of iron or steel	L. K	1.20	1.20	0.30 and 30%.
3.54.12	Razor blades	100 pieces	2.50	2.30	0.80 and 20%.
3.54.49	Cylinders for gas		[1]	[1]	[1].
3.54.53	Refrigerators, up to 200 kilos	L. K	.50	.50	0.15 and 10%.
3.54.54	Refrigerators, over 200 kilos	L. K	.45	.35	0.15 and 10%.
3.54.56	Furniture of iron or steel, up to 10 kilograms	L. K	.80	.80	0.35 and 20%.
3.54.57	Furniture of iron or steel, more than 10 kilograms.	L. K	.60	.60	0.25 and 15%.
3.92.00	Washstands, etc., of enameled iron	G. K	.30	.25	0.20 and 25%.
3.92.03	Bathtubs of enameled iron	G. K	.30	.25	0.20 and 25%.
3.92.10	Washstands, etc., of clay, china, or porcelain	G. K	.20	.20	0.20 and 10%.
3.92.11	Waterclosets, etc., of clay, china, or porcelain.	G. K	.20	.20	0.15 and 15%.
4.15.00	Cotton tire fabric	L. K	.20	.15	0.05 and 3%.
4.15.90	Cotton cloth, up to 50 grams per sq. m	L. K	10.10	10.10	4.55 and 35%.
4.15.95	Cotton cloth, more than 250 but not more than 1,200 grams per sq. m.	L. K	3.40	3.40	1.35 and 30%.
4.17.10	Cotton cloth, oiled, waxed, or prepared with pyroxylin.	L. K	1.70	1.70	1.10 and 20%.
4.18.09	Cotton corduroy	L. K	4.90	4.90	2.90 and 40%.
4.18.10	Cotton velvet, to 400 grams per sq. m	L. K	4.90	4.90	2.70 and 25%.
4.18.11	Cotton velvet, more than 400 grams per sq. m.	L. K	6.00	6.00	3.55 and 40%.
4.50.02	Carpets of wool	Sq. m	6.30	6.30	3.15 and 25%.
4.50.11	do	Sq. m	11.20	11.20	3.70 and 10%.
4.57.01	Velvet of wool	L. K	9.00	8.10	3.10 and 30%.
5.02.06	Under and outer shirts and drawers of cotton	L. K	14.70	14.70	7.75 and 30%.
5.02.90	Wearing apparel of cotton	L. K	9.80	9.80	4.90 and 20%.
5.02.92	do	L. K	11.20	11.20	4.90 and 20%.
5.42.90	Wearing apparel of wool	L. K	23.00	23.00	12.90 and 25%.
5.42.92	do	L. K	27.00	27.00	13.90 and 25%.
5.42.93	do	L. K	35.00	35.00	11.30 and 20%.
5.51.00	Silk hosiery	Pair	1.00	1.00	0.50 and 25%.
5.61.00	Silk hosiery, with other fiber	Pair	1.00	1.00	0.60 and 20%.
5.70.20	Pocketbooks	L. K	5.00	5.00	3.05 and 25%.
6.03.93	Mixtures of ethers and alcohols for varnishes and paints.	L. K	.25	.15	0.05 and 5%.
6.04.00	Fruit essences	L. K	15.00	15.00	4.45 and 15%.
6.04.14	Extracts for soft drinks	L. K	3.00	3.00	1.50 and 25%.
6.04.15	Extracts for wines and liquors	L. K	3.00	3.00	0.65 and 8%.
6.12.71	Bicarbonates of potassium and sodium	G. K	.07	.04	0.01 and 10%.
6.31.21	Medicinal granules, etc	L. K	1.50	1.50	0.55 and 3%.
6.31.90	Drugs and pharmaceutical specialities	L. K	1.00	1.00	0.50 and 5%.
6.50.10	Cosmetics, perfumed or not	L. K	7.00	6.50	3.90 and 10%.
6.61.01	Shoe and leather polishes	G. K	.38	.38	0.20 and 15%.
6.61.06	Prepared floor wax, to 5 kilos	G. K	.75	.75	0.30 and 20%.
6.61.07	Prepared floor wax, over 5 kilos	G. K	.50	.50	0.10 and 25%.
6.61.21	Varnishes and paints, with base of alcohol or ether.	G. K	.60	.60	0.60 and 15%.
6.61.28	Prepared varnishes and paints, to 5 kilos	G. K	.60	.60	0.60 and 15%.
6.61.29	Prepared varnishes and paints, more than 5 kilos.	G. K	.40	.40	0.40 and 15%.
6.63.07	Tire repair kits	L. K	1.60	1.00	0.50 and 60%.
7.00.20	Grape juice	G. K	.25	.25	0.10 and 15%.
7.00.21	Fruit juices, density to 1.25	L. K	1.00	1.00	0.40 and 30%.
7.00.22	Fruit juices, density more than 1.25	L. K	3.00	3.00	2.85 and 55%.
7.10.30	Wines in metal or wood containers	G. K	.30	.30	0.20 and 15%.
7.10.31	Wines in earthenware, porcelain, glass, or other containers.	G. K	.50	.50	0.25 and 20%.
7.11.06	Bourbon and rye whisky, in metal or wood containers.	L. K	[2] 4.75	2.25	0.85 and 25%.
7.11.07	Bourbon and rye whisky, in porcelain, glass, or other containers.	L. K	[2] 5.00	2.50	1.10 and 55%.
7.11.08	Bourbon and rye whisky, in wood or metal containers.	L. K	[2] 5.50	3.00	4.95 and 50%.
7.11.09	Bourbon and rye whisky, in porcelain, glass, or other containers.	L. K	[2] 6.50	3.25	5.50 and 50%.

[1] Free.
[2] G. K.

List of items in schedule I of the trade agreement with Mexico showing pre-agreement duties, concessions obtained by the United States in the agreement, and present Mexican import duties—Continued

Mexican tariff fraction	Brief description	Unit	Preagreement duty (pesos)	Agreement duty (pesos)	Present duty (pesos and ad valorem)
7.32.01	Shoes, with double seam stitching	Pair	5.10	5.10	2.80 and 15%.
7.32.12	Shoes, not specified	Pair	4.30	4.30	3.20 and 20%.
7.41.21	Unexposed films	L. K	1.00	1.00	0.40 and 5%.
7.41.26	Motion-picture films	L. K	20.00 or 40.00	20.00	22.00.
7.44.10	Sheets of ebonite, etc., not decorated	L. K	.08	.08	0.10 and 3%.
7.44.11	Sheets of ebonite, etc., decorated	L. K	.50	.50	0.15 and 2%.
7.44.12	Tubes of ebonite, etc	L. K	.25	.25	0.01 and 1%.
7.44.13	Rods of ebonite, etc	L. K	.25	.25	0.07 and 1%.
7.44.90	Manufactured articles of pastes similar to casein, etc., up to 10 grams.	L. K	10.00	10.00	5.35 and 40%.
7.44.91	Manufactured articles of pastes similar to casein, etc., 10 to 50 grams.	L. K	8.00	8.00	3.20 and 20%.
7.44.92	Manufactured articles of pastes similar to casein, etc., 50 to 100 grams.	L. K	6.00	6.00	2.30 and 20%.
7.44.93	Manufactured articles of pastes similar to casein, etc., over 100 grams.	L. K	2.50	2.50	0.35 and 10%.
7.51.12	Paper, 50 to 100 grams, per square meter	L. K	.14	.14	0.10 and 20%.
7.51.13	Paper, more than 100 grams, per square meter.	L. K	.10	.10	0.07 and 15%.
7.52.02	Paper, cut in strips	L. K	.80	.80	0.55 and 10%.
7.52.03	----do	L. K	.60	.60	0.20 and 10%.
7.52.05	Paper for dressing table and toilet	L. K	.26	.26	0.15 and 15%.
7.53.30	Advertisements, calendars, and catalogs	L. K	3.00	3.00	1.05 and 30%.
7.90.15	Beacons, lamps, lanterns, or reflectors	L. K	2.40	2.00	0.65 and 10%.
7.99.30	Linoleum	L. K	1.00	.50	0.20 and 30%.
8.10.40	Dry electric cells	L. K	.80	.80	0.30 and 25%.
8.20.14	Threshers of any kind	G. K	.04	.02	0.02.
8.21.10	Passenger elevators	G. K	.06	.02	0.03.
8.23.90	Machines, up to 100 kilograms	G. K	.08	.04	0.04.
8.23.91	Machines, more than 100 kilograms	G. K	.06	.03	0.01 and 1%.
8.31.00	Sewing machines	G. K	.10	.05	0.01 and 1%.
8.40.01	Radio receiving apparatus with cabinet	L. K	1.20	1.00	0.45 and 5%.
8.41.00	Electric fans and ventilators	L. K	.80	.50	0.25 and 4%.
8.41.15	Electric irons	L. K	.30	.30	0.60 and 5%.
8.41.20	Electric stoves, up to 40 kilos	L. K	1.00	1.00	0.65 and 10%.
8.41.21	Electric stoves, more than 40 kilos	G. K	.15	.15	0.06 and 3%.
8.41.33	Electric lamps of gas, mercury, or other electrical system.	G. K	.40	.40	0.15 and 5%.
8.42.30	Tubes for radios	Each	.05	.03	0.02 and 1%.
8.42.39	Parts and repair pieces for radios	L. K	.40	.20	0.06 and 1%.
8.50.00	Calculating machines	L. K	1.00	.50	0.15 and 1%.
8.50.01	Machines for registering sales	L. K	.60	.40	0.20 and 2%.
8.50.10	Apparatus for reproducing writing	G. K	.50	.25	0.02 and 2%.
8.50.11	Typewriters	L. K	.60	.60	0.50 and 5%.
8.52.21	Stoves and heaters, not electric, 40 to 150 kilograms.	G. K	.15	.10	0.05 and 5%.
8.59.00	Fire extinguishers	G. K	.10	.05	0.03 and 1%.
8.61.20	Rubber belting	G. K	.75	.75	1.10 and 25%.
8.65.29	Made-up packing	G. K	.40	.40	0.20 and 3%.
8.65.50	Spark plugs	G. K	.50	.25	0.15 and 1%.
8.65.51	Pistons	G. K	.50	.45	0.25 and 4%.
9.10.00	Phonographic apparatus	L. K	1.20	1.00	0.40 and 10%.
9.10.01	Radio-phonograph combinations	L. K	1.20	1.00	0.50 and 5%.
9.10.02	Separate parts and repair pieces for phonographs.	L. K	1.20	.60	0.30 and 3%.
9.10.17	Phonograph records		(1)	(1)	(1).
9.11.00	Cinematographic apparatus, up to 20 kilos	L. K	1.00	.50	0.30 and 1%.
9.11.01	Cinematographic apparatus, more than 20 kilos.	L. K	.60	.50	0.25 and 2%.
9.52.00	Passenger automobiles, up to 4 cylinders	Each	250.00	250.00	300 and 10%.
9.52.01	Passenger automobiles, 4 to 6 cylinders, 6 passengers.	Each	700.00	700.00	300 and 10%.
9.52.02	Passenger automobiles, 4 to 6 cylinders, 6 to 9 passengers.	Each	700.00	700.00	300 and 10%.
9.52.03	Passenger automobiles, 6 to 8 cylinders, 6 passengers.	Each	700.00	700.00	400 and 8%.
9.52.04	Passenger automobiles, 6 to 8 cylinders, 6 to 9 passengers.	Each	700.00	700.00	400 and 8%.
9.52.05	Passenger automobiles, more than 8 cylinders.	Each	2000.00	2000.00	900 and 8%.
9.52.06	Omnibusses	Each	2000.00	1600.00	800 and 8%.
9.52.10	Trucks, up to 4 cylinders	Each	100.00	100.00	200 and 9%.
9.52.11	Trucks, more than 4 cylinders	Each	300.00	300.00	200 and 5%.

[1] Free.

List of items in schedule I of the trade agreement with Mexico showing preagreement duties, concessions obtained by the United States in the agreement, and present Mexican import duties—Continued

Mexican tariff fraction	Brief description	Unit	Preagreement duty (pesos)	Agreement duty (pesos)	Present duty (pesos and ad valorem)
9.52.12	Trucks	Each	300.00	300.00	200 and 5%.
9.52.31	Chassis of automobiles	Each	100.00	100.00	40 and 1%.
9.55.10	Tractors	G. K	.03	.02	0.03.
9.56.27	Repair parts and pieces for automobile bodies.	L. K	.80	.40	0.20 and 4%.
9.56.32	Pneumatic tires, up to 10 kilos	G. K	2.00	1.60	0.45 and 20%.
9.56.33	Pneumatic tires, more than 10 kilos	G. K	2.50	2.50	1.05 and 35%.
9.56.35	Wheels with tires	G. K	2.00	1.60	0.50 and 20%.
9.56.38	Wheels without tires	G. K	1.00	.75	0.30 and 20%.
9.56.40	Motors for automobiles and parts	L. K	.30	.20	0.08 and 2%.
9.56.42	Parts and repair pieces for automobile chassis.	L. K	.80	.40	0.15 and 10%.
9.56.88	Pneumatic rubber tires (extra size)	G. K	.50	.30	0.05 and 5%.

United States exports of leading commodities in order of magnitude of value and by principal markets for 1947

Commodity	1947 domestic exports (millions of dollars)	Principal markets in order of importance
Total exports of domestic merchandise.	14,278	
Total exports of commodities listed	7,002	
Wheat, including flour	892	Italy, France, Germany, Netherlands, Brazil.
Merchant vessels	625	Panama, Italy, France, Norway, Netherlands.
Coal	619	Canada, France, Italy, Belgium, Sweden.
Cotton cloth	493	Canada, Philippine Republic, Union of South Africa, Australia, Argentina.
Motortrucks, busses, and chassis.	459	Argentina, Brazil, Mexico, Canada, Cuba.
Raw cotton	416	China, United Kingdom, Japan, France, Canada.
Passenger cars and chassis	352	Canada, Brazil, Union of South Africa, Argentina, Belgium.
Leaf tobacco	271	United Kingdom, Netherlands, Australia, China.
Tractors and parts	222	Canada, Argentina, France, Mexico, Union of South Africa.
Metalworking machinery	200	Canada, U. S. S. R., France, United Kingdom, Sweden.
Lubricating oil	195	United Kingdom, India, Australia, Italy, Brazil.
Corn	167	Italy, France, Germany, Canada, United Kingdom.
Milk and cream	149	Belgium, United Kingdom, Philippine Republic, Venezuela, France.
Piece goods, wholly or chiefly of synthetic fibers.	147	Philippine Republic, Australia, India, Cuba, Canada.
Paper	144	Canada, Cuba, Mexico, Philippine Republic, Union of South Africa.
Motor fuel and gasoline	135	United Kingdom, Canada, France, Australia, Mexico.
Iron and steel bars and rods	125	France, Argentina, Canada, Netherlands, Sweden.
Tubular steel products and fittings.	118	Venezuela, Canada, Mexico, Saudi Arabia, Argentina.
Radio apparatus	114	Brazil, Canada, Argentina, Mexico, Cuba.
Tires	111	Argentina, Sweden, Belgium, Netherlands, Philippine Republic.
Office appliances	102	Canada, Argentina, Brazil, United Kingdom, Belgium.
Iron and steel sheets	100	Canada, Argentina, Sweden, Brazil, Switzerland.
Textile machinery	99	Canada, Brazil, Mexico, Argentina, Colombia.
Eggs	99	United Kingdom, Switzerland, Mexico.
Crude petroleum	98	Canada, France.
Structural iron and steel	96	Canada, Venezuela, France, Mexico, Argentina, Brazil.
Internal combustion engines	95	Canada, Brazil, France, Mexico, Argentina.
Well and refining machinery	94	Venezuela, U. S. S. R., Argentina, Canada, Colombia.
Lard	91	Cuba, France, Italy, Mexico, United Kingdom.
Milled rice	88	Cuba, Philippine Republic.
Tin plate	86	Australia, Brazil, Argentina, Canada, Netherlands.

Source: Official publications of U. S. Department of Commerce, Feb. 24, 1949.

United States imports for consumption of important items in 1947,[1] with notation as to principal sources

[Quantities and values expressed in thousands]

Commodity	Unit of quantity	Total, all countries		Principal sources
		Quantity	Value	
Coffee, raw or green	Pounds	2,495,700	$598,699	Brazil, Colombia, El Salvador.
Cane sugar	do	8,330,049	410,516	Cuba.
Standard newsprint paper	do	7,915,666	343,192	Canada, Newfoundland and Labrador, Finland.
Rubber, crude	do	1,593,897	318,232	British Malaya, Ceylon, Netherland Indies.
Chemical wood pulp	Short tons	2,018	238,149	Canada, Sweden, Finland.
Wool, unmanufactured	Pounds, clear content	401,765	208,943	Australia, Argentina, Uruguay.
Copper, unmanufactured	Pounds, copper content	905,646	175,369	Chile, Mexico, Canada.
Petroleum, crude	Barrel	99,315	161,624	Venezuela, Colombia, Mexico.
Cocoa or cacao beans	Pound	598,240	152,359	Gold Coast, Brazil, Nigeria.
Diamonds, including industrial diamonds	Carat	5,460	109,594	Union of South Africa, Belgium.
Burlaps and other woven fabrics wholly of jute, n. s. p. f.	Pound	541,517	109,019	India.
Copra	do	1,355,321	107,429	Philippine Republic.
Residual fuel oil	Barrel	58,608	77,327	Curaçao.
Cigarette leaf, unstemmed	Pound	58,811	52,177	Turkey, Greece.
Raw cotton, except linters	do	169,361	51,911	Egypt, Mexico, India, Peru.
Bananas	Bunch	60,105	49,586	Guatemala, Mexico, Honduras, Haiti.
Whisky	Proof gallon	10,567	49,462	United Kingdom, Canada.
Watches and watch movements	Number	7,757	42,910	Switzerland.
Tin bars, blocks, pigs, grain, or granulated	Pound	55,774	42,685	British Malaya, Belgian Congo, Siam.
Fur skins, undressed (lamb, caracul, sheep, goat, and kid)	Number	10,590	42,037	Soviet Union, Union of South Africa, Iran.
Old brass and clippings from brass or Dutch metal, for remanufacture.	Pound, copper content	158,387	41,569	United Kingdom.
Softwood lumber, spruce	Board feet	579,067	40,039	Canada.
Goat and kid skins, dry and dry salted	Pound	57,096	38,813	India, Brazil, Argentina, Ethiopia, Nigeria.
Lead pigs and bars	Pound, lead content	317,414	38,009	Mexico, Canada.
Tung oil	Pound	121,564	35,358	China.
Nickel pigs, ingots, shot, cubes, grains, cathodes, or similar forms (include scrap).	do	117,002	35,269	Canada.
Linseed oil, and combinations and mixtures in chief value of such oil.	do	117,326	34,245	Argentina.
Sisal and henequen fiber, unmanufactured	Ton	117	31,503	Mexico, Haiti, British East Africa.
Asbestos, unmanufactured	do	531	29,822	Canada, Union of South Africa, Southern Rhodesia.
Manila or abaca fiber, unmanufactured	do	78	29,439	Philippine Republic.
Total of above items			3,695,286	
Total free and dutiable imports for consumption			5,644,628	
Percent total of above items is of total free and dutiable imports.			65.5	

[1] Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

United States imports for consumption of important dutiable items in 1947,[1] with notation as to principal sources

[Quantities and values expressed in thousands]

Commodity	Unit of quantity	Total, all countries		Principal sources
		Quantity	Value	
Cane sugar	Pound	8,330,049	$410,516	Cuba.
Petroleum, crude (taxable)	Barrel	99,315	161,624	Venezuela, Colombia, Mexico.
Wool, except hair of camel, Angora rabbit, Alpaca llama, vicuna, Cashmere goat, and other like animals.	Pound, clean content	258,496	156,595	Australia, Uruguay, Argentina.
Burlaps and other woven fabrics of jute, n. s. p. f.	Pound	541,517	109,019	India.
Diamonds, cut but unset, suitable for jewelry	Carat	348	53,472	Belgium, Union of South Africa.
Cigarette leaf, unstemmed	Pound	58,811	52,177	Turkey, Greece.
Whisky	Proof gallon	10,567	49,462	United Kingdom, Canada.
Residual fuel oil (taxable)	Barrel	32,783	45,020	Curacao.
Watches and watch movements	Number	7,757	42,910	Switzerland.
Old brass and clippings from brass or Dutch metal for remanufacture (taxable).	Pound, copper content	158,387	41,569	United Kingdom.
Softwood lumber, spruce	Board feet	579,067	40,039	Canada.
Lead pigs and bars	Pound, lead content	317,414	38,009	Mexico, Canada.
Nickel pigs, ingots, shot, cubes, grains, cathodes or similar forms (include scrap).	Pound	117,002	35,269	Canada.
Linseed oil, and combinations and mixtures in chief value of such oil	do	117,326	34,245	Argentina.
Raw cotton (except linters) staple 1⅛ inches and over	do	83,223	33,697	Egypt, Peru.
Cigar leaf (filler) unstemmed and stemmed	do	21,929	29,254	Cuba.
Castor beans	do	276,807	24,686	Brazil.
Molasses, not used for the extraction of sugar, or for human consumption.	Gallon	155,005	23,035	Cuba, Mexico, Dominican Republic.
Manganese ore (including ferruginous) or concentrates, and manganiferous iron ore, containing more than 10 percent of manganese.	Pound, manganese content.	1,255,791	21,360	Soviet Union, India, Gold Coast, Union of South Africa.
Tomatoes, natural state	Pound	263,275	21,141	Mexico.
Bristles, sorted, bunched, or prepared	do	6,167	19,093	China.
Softwood lumber, pine	Board feet	272,891	18,755	Canada, Mexico.
Zinc-bearing ores (except pyrites containing not more than 3 percent zinc).	Pound, zinc content	584,297	18,499	Mexico, Peru, Canada.
Quebracho extract	Pound	215,548	15,387	Argentina, Paraguay.
Zinc scrap, dross and skimmings, blocks, pigs, or slabs	do	154,338	15,262	Canada, Japan.
Pepper, unground (black and white)	do	40,567	15,240	India, Netherland Indies.
Alcohols, n. e. s.			15,165	Cuba.
Olives, in brine (green, ripe, pitted, or stuffed)	Gallon	7,212	14,538	Spain.
Carnauba wax	Pound	11,836	13,653	Brazil.
Filaments of rayon or other synthetic textile (including sliver, tops and roving.	do	36,054	13,018	
Total of above items			1,581,709	
Total dutiable imports for consumption			2,211,591	
Percent total of above item is of total dutiable imports			71.5	

[1] Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

List of articles included with public notices dated Nov. 5 and Dec. 17, 1948, of intention to negotiate at Annecy, France, with 1930 Tariff Act rates of duty, present rates, and rates 50 percent of Jan. 1, 1945 rates

[NOTE.—The articles listed are those on which United States tariff concessions might be considered in the negotiations to begin on Apr. 11, 1949, at Annecy, France. Inclusion of a given article on this list does not necessarily mean that a concession will be made on that article. The Trade Agreements Committee will make its recommendations to the President only after careful study of all available information. Actual making of concessions will depend, of course, on the outcome of the negotiations. The rates specified under the heading "50 percent of January 1, 1945, rate" represent the minimum rates which the President could proclaim under the Trade Agreements Act as extended. In arriving at these rates account has been taken of subsecs. (d) (1), (2), and (3) of sec. 350 of the Tariff Act of 1930, as amended.]

Tariff Act of 1930, Par.	Item	Tariff Act of 1930 rate	Present rate	50 percent of Jan. 1, 1945, rate
	COLOMBIA			
10	Balsams, natural and uncompounded, not containing alcohol: Tolu	10%	5%	2½%.
38	Extracts, dyeing and tanning, not containing alcohol: Mangrove	15%	7½%	3¾%.
753	Cut flowers, fresh, dried, prepared, or preserved: Orchids	40%	25%	12½%.
1530 (a)	Hides and skins of cattle of the bovine species (except hides and skins of the India water buffalo imported to be used in the manufacture of rawhide articles), raw or uncured, or dried, salted, or pickled.	10%	5%	2½%.
1602	Ipecac, natural and uncompounded and in a crude state, not advanced in value or condition by shredding, grinding, chipping, crushing, or any other process or treatment whatever beyond that essential to proper packing and the prevention of decay or deterioration pending manufacture, not containing alcohol.	Free	Bound free	Free.
1654	Coffee, except coffee imported into Puerto Rico and upon which a duty is imposed under the authority of section 319.	Free	Bound free	Free.
1668	Emeralds, rough or uncut, and not advanced in condition or value from their natural state by cleaving, splitting, cutting, or other process, whether in their natural form or broken, not set.	Free	Bound free	Free.
1670	Dyeing or tanning materials: Divi-divi, whether crude or advanced in value or condition by shredding, grinding, chipping, crushing, or any similar process, not containing alcohol, and not specially provided for.	Free	Bound free	Free.
1734	Ores of the platinum metals	Free	Free	Free.
1744	Platinum, unmanufactured or in ingots, bars, sheets, or plates not less than one-eighth of one inch in thickness, sponge, or scrap.	Free	Bound free	Free.
	DENMARK			
228 (b)	All optical instruments, frames and mountings therefor, and parts of any of the foregoing; all the foregoing, finished or unfinished, not specially provided for: Range finders designed to be used with photographic cameras	45%	45%	22½%.
353	Articles having as an essential feature an electrical element or device, and parts thereof, finished or unfinished, wholly or in chief value of metal, and not specially provided for: Internal combustion engines, other than carburetor type, if of the horizontal type and weighing over 5,000 pounds each, and parts thereof.	35%	35%	17½%.
	Internal combusion engines, other than carburetor type, and not of the horizontal type, weighing over 2,500 pounds each, and parts thereof.	35%	35%	17½%.

List of articles included with public notices dated Nov. 5, and Dec. 17, 1948, of intention to negotiate at Annecy, France, with 1930 Tariff Act rates of duty, present rates, and rates 50 percent of Jan. 1, 1945 rates—Continued

Tariff Act of 1930, Par.	Item	Tariff Act of 1930 rate	Present rate	50 percent of Jan. 1, 1945, rate
	DENMARK			
355	Knives, forks, steels, and cleavers, of a class or kind provided for in paragraph 355, Tariff Act of 1930, with handles of silver (other than plated with silver) or other metal than aluminum, nickel silver, iron or steel, all the foregoing not specially designed for other than household, kitchen, or butchers' use.	16¢ each plus 45%	16¢ each plus 35%	8¢ each plus 17½%.
372	All other machines, finished or unfinished, not specially provided for, and parts thereof wholly or in chief value of metal or porcelain, not specially provided for:			
	Internal combustion engines, other than carburetor type, if of the horizontal type and weighing over 5,000 pounds each, and parts thereof.	27½%	27½%	13¾%.
	Internal combustion engines, other than carburetor type, and not of the horizontal type, weighing over 2,500 pounds, each, and parts thereof.	27½%	27½%	13¾%.
397	Articles or wares not specially provided for, whether partly or wholly manufactured:			
	Composed wholly or in chief value of silver	65%	32½%	25%.
412	Spring clothespins	20¢ a gross	10¢ a gross	5¢ a gross.
709	Butter, when entered, or withdrawn from warehouse, for consumption during the period from April 1 to October 31, inclusive, in any year.	14¢ lb	14¢ lb	7¢ lb.
710	Cheese:			
	Having the eye formation characteristic of the Swiss or Emmenthaler type	7¢ a lb., but not less than 35%.	5¢ a lb., but not less than 20%.	2½¢ a lb., but not less than 10%.
	Blue-mold, in original loaves (not including Roquefort cheese)	7¢ a lb., but not less than 35%.	5¢ a lb., but not less than 25%.	2½¢ a lb., but not less than 12½%.
763	Grass seeds and other forage crop seeds:			
	Orchard grass	5¢ a lb	5¢ a lb	2½¢ a lb.
764	Other garden and field seeds:			
	Cabbage	12¢ lb	5¢ lb	3¢ lb.
	Cauliflower	25¢ lb	25¢ lb	12½¢ lb.
802	Aquavit:			
	Containing over 2½ percent sugar	$5 per proof gallon	$1.25 per proof gallon	$1.25 per proof gallon.
	Other	$5 per proof gallon	$2.50 per proof gallon	$1.25 per proof gallon.
1405	Gummed papers, not specially provided for	5¢ lb	5¢ lb	2½¢ lb.
1511	Cork, commonly or commercially known as artificial, composition, or compressed cork, in the rough and not further advanced than slabs, blocks, planks, rods, sticks, or similar forms.	10¢ lb	10¢ lb	5¢ lb.
1527 (a)	Jewelry, commonly or commercially so known, finished or unfinished (including parts thereof): (2) All other, of whatever material composed, valued above $5 per dozen pieces.	110%	55%	32½%.
1547 (a)	Works of art: (2) Statuary, sculptures, or copies, replicas, or reproductions thereof, valued at not less than $2.50, and not specially provided for.	20%	20%	10%.
1558	Articles manufactured, in whole or in part, not specially provided for: Brewers' yeast, not containing alcohol.	20%	20%	10%.
1679	Natural flint, natural flints, and natural flint stones, unground	Free	Free	Free.
1751	Rennet, raw or prepared	Free	Free	Free.

	DOMINICAN REPUBLIC			
501	Sugars, tank bottoms, sirups of cane juice, melada, concentrated melada, concrete and concentrated molasses, and all mixtures containing sugar and water.	2.5¢ lb.	0.6875¢ lb.	0.46875¢ lb.
502	Molasses and sugar sirups, not specially provided for (except molasses and sugar sirups containing soluble nonsugar solids, excluding any foreign substance that may have been added or developed in the product, equal to more than 6 per centum of the total soluble solids).	0.25¢ gal.	0.25¢ gal.	0.12½¢ gal.
502	Molasses not imported to be commercially used for the extraction of sugar or for human consumption.	0.03¢ lb. of total sugars.	0.03¢ lb. of total sugars.	0.01½¢ lb. of total sugars.
601	Filler tobacco (except cigarette leaf tobacco) not specially provided for, unstemmed or stemmed.	Unstemmed, 35% lb. Stemmed, 50¢ lb.	35¢ lb.[1] 50¢ lb.[1]	17½¢ lb. 25¢ lb.
603	Scrap tobacco	35¢ lb.	35¢ lb.[1]	17½¢ lb.
710	Cheese (except cheese having the eye formation characteristic of the Swiss or Emmenthaler type; Gruyere process-cheese; Roquefort and other blue-mold cheeses, in original loaves; Romano, Pecorino, Reggiano, Parmesano, Provoloni, Provolette, Sbrinz, and Goya cheeses, in original loaves; Cheddar cheese, not processed otherwise than by division into pieces; Bryndza cheese, in casks, barrels, or hogsheads, weighing with their contents more than 200 pounds each; and Edam and Gouda cheeses).	7¢ lb.; 35% minimum.	7¢ lb.; 85% minimum.	3½¢ lb.; 17½% minimum.
746	Mangoes	15¢ lb.	4½¢ lb.	3¾¢ lb.
747	Pineapples, candied, crystallized, or glace	35%	35%	17½%.
751	Jellies, jams, marmalades, and fruit butters: Guava (except jelly and marmalade); pineapple; mango, papaya; namely colorado (*calocarpum mammosum*); sweetsop (*annona squamosa*); soursop (*annona muricata*); sapodilla (*sapota achras*); cashew apple (*anacardium occidentale*); and currant and other berry (except jellies).	35%	16%	10%.
752	Guavas, prepared or preserved, not specially provided for (not including guavas in brine, pickled, dried, desiccated, or evaporated).	35%	13½%	8¾%.
752	Mango paste and pulp and guava paste and pulp	35%	24%	14%.
765	Black-eye cowpeas, dried, or in brine	3¢ lb.	1½¢ lb.	¾¢ lb.
777 (b)	Cocoa and chocolate, sweetened, in any form (other than in bars or blocks weighing ten pounds or more each), whether or not prepared, and valued at less than 10 cents per pound.	40%	40%	20%.
802	Rum	$5.00 gal.	$2.25 gal.	$1.25 gal.
1670	Dyeing or tanning materials, whether crude or advanced in value or condition by shredding, grinding, chipping, crushing, or any similar process, not containing alcohol, and not specially provided for: All articles of vegetable origin used for dyeing, coloring, or staining (except Brazil wood, madder, and saffron, and not including any article specifically mentioned by name in paragraph 1670, Tariff Act of 1930).	Free	Free	Free.
	EL SALVADOR			
10	Balsams, natural and uncompounded, not containing alcohol:			
	Peru			
	All other (not including copaiba, fir or Canada, tolu, and styrax)	10%	5%	2½%.
28 (a)	Natural alizarin and natural indigo	7¢ lb. plus 45%	7¢ lb. plus 45%	7¢ lb. plus 45%.
1654	Coffee, except coffee imported into Puerto Rico and upon which a duty is imposed under the authority of section 319.	Free	Bound free	Free.

[1] After 22,000,000 bls. of filler and scrap have been entered from Cuba, rates of 21¢ for unstemmed and scrap and 30¢ for stemmed are applicables.

List of articles included with public notices dated Nov. 5, and Dec. 17, 1948, of intention to negotiate at Annecy, France, with 1930 Tariff Act rates of duty, present rates, and rates 50 percent of Jan. 1, 1945 rates—Continued

Tariff Act of 1930, Par.	Item	Tariff Act of 1930 rate	Present rate	50 percent of Jan. 1, 1945, rate
	FINLAND			
234 (a)	Granite suitable for use as monumental, paving, or building stone, not specially provided for:			
	Hewn, dressed, pointed, pitched, lined, or polished, or otherwise manufactured	60%	30%	15%.
	Unmanufactured, or not dressed, pointed, pitched, lined, hewn, or polished	25¢ per cubic foot	12½¢ per cubic foot	6¼¢ per cubic foot.
355	Knives, forks, steels, and cleavers, of a class or kind provided for in paragraph 355, Tariff Act of 1930:			
	With handles of hard rubber, solid bone, celluloid, or any pyroxylin, casein, or similar material (except table, carving, cake, pie, butter, fruit, cheese, and fish knives, forks, steels, and cleavers).	8¢ ea.+45%	8¢ ea.+35%	4¢ ea.+17½%.
	With handles of materials other than those specifically mentioned in paragraph 355, Tariff Act of 1930, if specially designed for other than household, kitchen, or butchers' use (except hay forks and 4-tined manure forks, 4 inches in length or over, exclusive of handle):			
	With handles of wood or wood and steel, or of nickel silver, or of steel other than austenitic:			
	If less than 4 inches in length, exclusive of handle	2¢ ea.+45%	2¢ ea. +25%	1¢ ea. +12½%.
	If 4 inches in length or over, exclusive of handle	3¢ ea. +45%	4¢ ea. +25%	2¢ ea. +12½%.
	Other, if 4 inches, in length or over, exclusive of handle	8¢ ea. +45%	8¢ ea. +35%	4¢ ea. +17½%.
405	Birch plywood	50%	25%	12½%.
412	Manufactures of wood or bark, or of which wood or bark is the component material of chief value, not specially provided for:			
	Spools wholly of wood, suitable for thread (not including bobbins)	33⅓%	25%	12½%.
	Doors	33⅓%	25%	16⅔%.
704	Reindeer meat, fresh, chilled, or frozen, not specially provided for	6¢ lb	6¢ lb	3¢ lb.
710	Cheese:			
	Having the eye formation characteristic of the Swiss or Emmenthaler type	7¢ lb., but not less than 35%.	5¢ lb., but not less than 20%.	2½¢ lb., but not less than 10%.
	Gruyere process-cheese	7¢ lb., but not less than 35%.	5¢ lb., but not less than 20%.	2½¢ lb., but not less than 10%.
1402	Paperboard, and pulpboard, including cardboard, not plate finished, supercalendered or friction calendered, laminated by means of an adhesive substance, coated, surface stained or dyed, lined or vat-lined, embossed, printed, decorated, or ornamented in any manner, nor cut into shapes for boxes or other articles and not specially provided for (except pulpboard in rolls for use in the manufacture of wallboard; wallboard; insulating board; fiberboard; leather board or compress leather; and strawboard).	10%	10%	5%.
1405	Grease-proof and imitation parchment papers which have been supercalendered and rendered transparent or partially so, by whatever name known.	3¢ lb. plus 15%	3¢ lb. plus 15%	1½¢ lb. plus 7½%.

1409	Wrapping paper not specially provided for (except strawboard and straw paper known as wrapping paper, less than 0.012 but not less than 0.008 inch in thickness):			
	Sulphate	30%	20%	10%.
	Other (including sulphite)	30%	25%	12½%.
1516	Matches, friction or lucifer, of all descriptions, in boxes containing not more than 100 matches per box.	20¢ per 144 boxes	17½¢ per 144 boxes	8¾¢ per 144 boxes.
1536	Manufactures of wax, or of which wax is the component material of chief value, not specially provided for:			
	Ski wax	20%	20%	10%.
1716	Mechanically ground wood pulp, chemical wood pulp, unbleached or bleached	Free	Bound free	Free.
1772	Standard newsprint paper	Free	Bound free	Free.
	GREECE			
10	Balsams, natural and uncompounded, not containing alcohol: Styrax	10% ad val	10% ad val	5% ad val.
38	Extracts, dyeing and tanning, not containing alcohol: Valonia	15% ad val	7½% ad val	3¾% ad val.
53	Oils, vegetable: Olive, not specially provided for	6½¢ lb	6½¢ lb	3¼¢ lb.
328	Cylindrical and tubular tanks or vessels, for holding gas, liquids, or other material, whether full or empty.	25% ad val	25% ad val	15% ad val.
601	Filler tobacco not specially provided for, if unstemmed: Cigarette leaf tobacco (except smoke-cured, having the flavor and aroma characteristic of smoke-cured Latakia leaf tobacco).	35¢ lb	30¢ lb	15¢ lb.
740	Figs, fresh, dried, or in brine:			
	Valued less than 7¢ per lb	5¢ lb	5¢ lb	2½¢ lb.
	Valued 7¢ or more per lb	5¢ lb	3¢ lb	1½¢ lb.
742	Currants, Zante or other	2¢ lb	2¢ lb	1¢ lb.
744	Olives of a class or kind of which Greece is a major supplier:			
	Green olives in brine [1]	20¢ gal	20¢ gal	10¢ gal.
	Ripe olives in brine [1]	30¢ gal	30¢ gal	15¢ gal.
	Fitted and stuffed olives in brine [1]	30¢ gal	30¢ gal	15¢ gal.
	Dried ripe olives [1]	5¢ lb	5¢ lb	2½¢ lb.
	Olives, n. s. p. f. [1]	5¢ lb	5¢ lb	2½¢ lb.
781	Mixed spices, and spices and spice seeds not specially provided for, including all herbs or herb leaves in glass or other small packages, for culinary use: Bay leaves.	25% ad val	25% ad val	12½% ad val.
1519 (b)	Manufactures of fur (except silver or black fox), further advanced than dressing, prepared for use as material (whether or not joined or sewed together), including plates, mats, linings, strips, and crosses (except plates, mats, linings, strips, and crosses of dog, goat, kid, squirrel, hare, and lamb and sheep other than caracul and Persian lamb): Plates, mats, linings, strips, and crosses, if dyed.	40% ad val	40% ad val	20% ad val.
1545	Sponges, not specially provided for (except hardhead or reef and not including sponges commercially known as sheepswool, yellow, grass, or velvet).	15% ad val	15% ad val	7½% ad val.
1545	Manufactures of sponges, or of which sponge is the component material of chief value, not specially provided for.	25% ad val	25% ad val	12½% ad val.
1672	Emery ore	Free	Free	Free.
1686	Natural gums, natural gum resins, and natural resins, not specially provided for: Mastic	Free	Free	Free.
1732	Oils, expressed or extracted: Olive, rendered unfit for use as food or for any but mechanical or manufacturing purposes.	Free	Free	Free.

[1] The above listing of all types of olives is presented only to indicate the rates of duty. If a concession is made in the negotiations it will be limited to "a class or kind of which Greece is a major supplier."

List of articles included with public notices dated Nov. 5, and Dec. 17, 1948, of intention to negotiate at Annecy, France, with 1930 Tariff Act rates of duty, present rates, and rates 50 percent of Jan. 1, 1945 rates—Continued

Tariff Act of 1930, Par.	Item	Tariff Act of 1930 rate	Present rate	50 percent of Jan. 1, 1945, rate
	HAITI			
58	Essential and distilled oils, not specially provided for, not mixed or compounded with or containing alcohol: Vetivert oil.	25%	7½%	6¼.
412	Manufactures of wood or bark, or of which wood or bark is the component material of chief value, not specially provided for: Trays, bowls, platters, lamp bases, bookends, and similar household wares, of which mahogany is the component material of chief value.	33⅓%	25%	16⅔%.
739	Orange peel, crude, dried, or in brine	2¢ lb	2¢ lb	1¢ lb.
746	Mangoes	15¢ lb	4½¢ lb	1¾¢ lb.
747	Pineapples, candied, crystallized, or glace	35%	35%	17½%.
751	Jellies, jams, marmalades, and fruit butters: Guava (except jelly and marmalade); pineapple; mango; papaya; marney colorado (*calocarpum mammosum*); sweetsop (*annona squamosa*); soursop (*annona muricata*); sapodilla (*sapota achras*); cashew apple (*anacardium occidentale*); and currant and other berry (except jellies).	35%	16%	10%.
752	Guavas, prepared or preserved, not specially provided for (not including guavas in brine, pickled, dried, desiccated, or evaporated).	35%	13½%	8¾%.
752	Mango paste and pulp and guava paste and pulp	35%	24%	14%.
802	Rum	$5.00	$2.25	$1.25.
1529 (a)	Braids wholly or in chief value of vegetable fiber other than cotton (except braids suitable for making or ornamenting hats, bonnets, or hoods), loom woven and ornamented in the process of weaving, or made by hand, or on a lace, knitting, or braiding machine.	90%	50%	45%.
1529 (a)	Articles (except hats and other wearing apparel) wholly or in part of braids	90%	90% [3]	45%.
1530 (e)	Boots, shoes, or other footwear (including athletic or sporting boots and shoes), the uppers of which are composed wholly or in chief value of wool, cotton, ramie, animal hair, fiber, rayon or other synthetic textile, silk, or substitutes for any of the foregoing, whether or not the soles are composed of wood or other materials (except such boots, shoes, or other footwear with soles composed wholly or in chief value of leather or with soles composed wholly or in chief value of india rubber or substitutes for rubber):			
	Alpargates	35%	17½%	8¾%.
	Other	35%	35%	17½%.
1537 (a)	Manufactures of raffia-palm leaf or of which this substance is the component material of chief value, not specially provided for.	25%	25%	12½%.
1670	Dyeing or tanning materials, whether crude or advanced in value or condition by shredding, grinding, chipping, crushing, or any similar process, not containing alcohol, and not specially provided for: Logwood.	Free	Bound free	Free.
1684	Grasses and fibers, not dressed or manufactured in any manner, and not specially provided for: Sisal.	Free	Bound free	Free.
1731	Oils, distilled or essential, not mixed or compounded with or containing alcohol: Lemongrass.	Free	Free	Free.
1789	Turmeric	Free	Free	Free.

ITALY

1	Acids and acid anhydrides:			
	Tartaric acid	8¢ lb	8¢ lb	4¢ lb.
	Boric acid	1¢ lb	1¢ lb	½¢ lb.
9	Cream of tartar	5¢ lb	5¢ lb	2½¢ lb.
10	Balsams, natural and uncompounded, not containing alcohol: Styrax	10% ad val	10% ad val	5% ad val.
17	Calomel, corrosive sublimate, and other mercurial preparations	22¢ lb. + 25% ad val	22¢ lb. + 25% ad val	11¢ lb. + 12½% ad val.
26	Glycerophosphoric acid, and salts and compounds of glycerophopshoric acid	35% ad val	35% ad val	17½% ad val.
35	Aconite, aloes, asafetida, cocculus indicus, jalap, manna; marshmallow or althea root, leaves and flowers; all the foregoing which are natural and uncompounded, but which are advanced in value or condition by shredding, grinding, chipping, crushing, or any other process or treatment whatever beyond that essential to proper packing and the prevention of decay or deterioration pending manufacture, and not containing alcohol.	10% ad val	10% ad val	5% ad val.
53	Oils, vegetable:			
	Olive, weighing with the immediate container less than 40 pounds	9½¢ lb	9¢ lb	4¢ lb.
	Olive, not specially provided for	6½¢ lb	6½¢ lb	3¼¢ lb.
58	Oils, distilled or essential, not mixed or compounded with or containing alcohol: Lemon	25% ad val	25% ad val	12½% ad val.
67	Barytes ore, ground or otherwise manufactured	$7.50 long ton	$7.50 long ton	$3.75 long ton.
73	Siennas:			
	Crude or not ground	⅛¢ lb	⅛¢ lb	1/16¢ lb.
	Washed or ground	⅜¢ lb	⅜¢ lb	3/16 lb.
76	Vermillion reds containing quicksilver, dry or ground in or mixed with oil or water	35¢ lb	35¢ lb	17½¢ lb.
80	Soap: Castile	15% ad val	15% ad val	7½% ad val.
202 (b)	Mantels, friezes, and articles of every description or parts thereof, composed wholly or in chief value of earthen tiles or tiling, except pill tiles.	50% ad val	25% ad val	12½% ad val.
206	Pumice stone, whether unmanufactured or wholly or partly manufactured; and manufactures of pumice stone or of which pumice stone is the component material of chief value, not specially provided for:			
	Unmanufactured:			
	Valued $15 or less per ton	1/10¢ lb	1/10¢ lb	1/20¢ lb.
	Valued over $15 per ton	¼¢ lb	¼¢ lb.	⅛¢ lb.
	Wholly or partly manufactured	¾¢ lb	¾¢ lb	3/16¢ lb.
	Manufactures, n. s. p. f.	35% ad val	35% ad val	17½% ad val.
209	Talc, steatite or soapstone, and French chalk:			
	Ground, washed, powdered, or pulverized (except talc, steatite or soapstone valued at not more than $14 per ton, and except toilet preparations).	35% ad val	35% ad val	17½% ad val.
	Cut or sawed, or in blanks, crayons, cubes, disks, or other forms	1¢ lb	1¢ lb	½¢ lb.
211	Earthenware and crockeryware composed of a nonvitrified absorbent body not wholly of clay, including white granite and semiporcelain earthenware, and cream-colored ware, terra cotta, and stoneware, including clock cases with or without movements, pill tiles, plaques, ornaments, charms, vases, statues, statuettes, mugs, cups, steins, lamps, and all other articles composed wholly or in chief value of such ware; all of the foregoing not tableware, kitchenware, or table or kitchen utensils, if plain white, plain yellow, plain brown, plain red, or plain black, and manufactures in chief value of such ware, not specially provided for, or painted, colored, tinted, stained, enameled, gilded, printed, ornamented, or decorated in any manner, and manufactures in chief value of such ware, not specially provided for; any of the foregoing, if valued at not less than $3 per dozen:			
	Undecorated	45% ad val. +10¢ doz	45% ad val. +10¢ doz	22½% ad val. +5¢ doz.
	Decorated, colored, etc	50% ad val. +10¢ doz	50% ad val. +10¢ doz	25% ad val. +5¢ doz.

[3] Rate is 70% for ornamented articles of braids of vegetable fiber and 50% for ornamented articles of braids of certain other materials.

List of articles included with public notices dated Nov. 5, and Dec. 17, 1948, of intention to negotiate at Annecy, France, with 1930 Tariff Act rates of duty, present rates, and rates 50 percent of Jan. 1, 1945 rates—Continued

Tariff Act of 1930, Par.	Item	Tariff Act of 1930 rate	Present rate	50 percent of Jan. 1, 1945, rate
	ITALY—continued			
214	Earthy or mineral substances wholly or partly manufactured and articles, wares, and materials (crude or advanced in condition), composed wholly or in chief value of earthy or mineral substances, not specially provided for, whether susceptible of decoration or not: Marble chip or granite.	30% ad val	30% ad val	15% ad val.
217	Bottles, jars, and covered or uncovered demijohns, and carboys, any of the foregoing, wholly or in chief value of glass, if unfilled and holding not more than one pint, not specially provided for:			
	Holding less than ¼ pint	50¢ gross	25¢ gross	25¢ gross.
	Holding ¼ pint to 1 pint	1½¢ lb	¾¢ lb	¾¢ lb.
231	Smalts, frostings, and all ceramic and glass colors, fluxes, glazes, and enamels, all the foregoing in any form other than ground or pulverized.	40% ad val	40% ad val	20% ad val.
232 (a)	Marble (except marble commercially known as black marble) and breccia, in block, rough or squared only, and marble (except marble commercially known as black marble) and breccia, sawed or dressed, over two inches in thickness:			
	Rough or squared only	65¢ cu. ft	65¢ cu. ft	32½¢ cu. ft.
	Sawed or dressed, over 2 inches in thickness	$1 cu. ft	$1 cu. ft	50¢ cu. ft.
232 (b)	Slabs and paving tiles of marble, breccia, or onyx containing not less than four superficial inches:			
	If not more than 1 inch in thickness	8¢ superficial foot	8¢ superficial foot	4¢ superficial foot.
	If more than 1 inch and not more than 1½ inches in thickness	10¢ superficial foot	10¢ superficial foot	5¢ superficial foot.
	If more than 1½ inches and not more than 2 inches in thickness	13¢ superficial foot	13¢ superficial foot	6½¢ superficial foot.
	In addition thereto on all the foregoing, if rubbed in whole or in part	3¢ superficial foot	3¢ superficial foot	1½¢ superficial foot.
	Or if polished in whole or in part (whether or not rubbed)	6¢ superficial foot	6¢ superficial foot	3¢ superficial foot.
232 (c)	Mosaic cubes of marble, breccia, or onyx, not exceeding two cubic inches in size, whether loose or attached to paper or other material.			
	Loose	¼¢ lb. and 20% ad val.	¼¢ lb. and 20% ad val.	⅛¢ lb. and 10% ad val.
	Attached	5¢ superficial foot and 35% ad val.	5¢ superficial foot and 35% ad val.	2½¢ superficial foot and 17½% ad val.
233	Alabaster and jet, wholly or partly manufactured into monuments, benches, vases, and other articles, and articles of which these substances or either of them is the component material of chief value.	50% ad val	50% ad val	25% ad val.
234 (b)	Travertine stone, unmanufactured, or not dressed, hewn, or polished	25¢ cu. ft	25¢ cu. ft	12½¢ cu. ft.
234 (c)	Freestone, sandstone, limestone, lava, and all other stone suitable for use as monumental or building stone, except marble, breccia, and onyx, not specially provided for:			
	Hewn, dressed, or polished, or otherwise manufactured	50% ad val	50% ad val	25% ad val.
	Unmanufactured, or not dressed, hewn, or polished	15¢ cu. ft	10¢ cu. ft	7½¢ cu. ft.
235	Slate, slates, slate chimney pieces, mantels, slabs for tables, and all other manufactures of slate (not including roofing slates), not specially provided for.	25% ad val	25% ad val	12½% ad val.
339	Table, household, kitchen, and hospital utensils, and hollow or flat ware, not specially provided for:			
	Illuminating articles, plated with silver on nickel silver or copper	50% ad val	50% ad val	17½% ad val.

	Plated with silver on metal other than nickel silver or copper	50% ad val	35% ad val [4]	25% ad val.
	Composed wholly or in chief value of steel or other base metal, not plated with platinum, gold, or silver, and not specially provided for: Household food grinding or cutting utensils other than meat and food choppers.	40% ad val	40% ad val	20% ad val.
355	Table, carving, cake, pie, butter, fruit, cheese, and fish knives, and similar forks, and steels therefor, all the foregoing with handles of nickel silver or of steel other than austenitic, if less than four inches in length, exclusive of handle, finished or unfinished, not specially provided for.	2¢ each + 45% ad val	2¢ each + 25% ad val	1¢ each + 12½% ad val.
357	All scissors and other shears (except pruning and sheep shears), and blades for the same, finished or unfinished, valued at more than $1.75 per dozen.	20¢ each+45% ad val	20¢ each+45% ad val	10¢ each+22½% ad val.
363	Sword blades (not including swords and side arms), irrespective of quality or use, wholly or in part of metal.	50% ad val	50% ad val	25% ad val.
372	Textile machinery, finished or unfinished, not specially provided for, and parts thereof wholly or in chief value of metal or porcelain, not specially provided for: Machinery for making synthetic textile filaments, bands, strips, or sheets, and parts thereof.	40% ad val	40% ad val	20% ad val.
382a	Bronze, or Dutch metal, in leaf	6¢ per 100 leaves	6¢ per 100 leaves	3¢ per 100 leaves.
	Aluminum in leaf	6¢ per 100 leaves	6¢ per 100 leaves	3¢ per 100 leaves.
412	Manufactures of wood or bark, or of which wood or bark is the component material of chief value, not specially provided for (except baby carriages; badminton rackets and badminton-racket frames; tennis-racket frames; bobbins and shuttles; boxes, crates, fruit-picking trays, and similar containers, and shooks for making any such containers; broom handles and mop handles, further advanced than rough shaped, not less than ¾ inch in diameter and not less than 38 inches in length; brush backs; canoes and canoe paddles; carriages, drays, trucks, and other vehicles, and parts thereof; clasps, buckles, and buckle slides; clothespins, faucets, spigots, and stocking darners or darning lasts; forks and spoons; golf club shafts and ice-hockey sticks; skis, equipment ordinarily used in conjunction therewith, and parts of skis or of such equipment; snowshoes and toboggans; laminated wall-board; picture and mirror frames; spools wholly of wood, suitable for thread; and wheelbarrows).	33⅓% ad val	25% ad val	16⅔% ad val.
505	Adonite, arabinose, dulcite, galactose, inosite, inulin, mannite, d-talose, d-tagatose, ribose, melibiose, dextrose testing above 99.7 per centum, mannose, melezitose, raffinose, rhamnose, sorbite, xylose, and other saccharides (not including levulose, salicin, and lactose).	50% ad val	50% ad val	25% ad val.
604	Snuff and snuff flour, manufactured of tobacco, ground dry, or damp, and pickled, scented, or otherwise, of all descriptions.	55¢ lb	55¢ lb	27½¢ lb.
703	Pork, prepared or preserved:			
	Pork made into sausages of any kind (except fresh pork sausage)	3½¢ lb	3½¢ lb	1¾¢ lb.
709	Cheese, in original loaves: Romano, Pecorino, Reggiano, Parmesano, Provoloni, and Provolette.	7¢ lb.; min. 35% ad val.	5¢ lb.; min. 25% ad val [5]	3½¢ lb.; min. 17½% ad val.
710	Cheese and substitutes therefor (except cheese having the eye formation characteristic of the Swiss or Emmenthaler type; Gruyere process-cheese; Roquefort and other blue-mold cheeses, in original loaves; Romano, Pecorino, Reggiano, Parmesano, Provoloni, Provolette, Sbrinz, and Goya cheeses, in original loaves; Cheddar cheese, not processed otherwise than by division into pieces; Bryndza cheese, in casks, barrels, or hogsheads, weighing with their contents more than 200 pounds each; and Edam and Gouda cheeses).	7¢ lb.; min. 35% ad val.	7¢ lb.; min. 35% ad val.	3½¢ lb.; min. 17½% ad val.
718 (a)	Fish, prepared or preserved in any manner, when packed in oil or in oil and other substances: Anchovies and antipasto, valued at over 9 cents per pound, including the weight of the immediate container.	30% ad val	Antipasto, 30% ad val. Anchovies, 15% ad val.	15% ad val.
725	Macaroni, vermicelli, noodles, and similar alimentary pastes:			
	Containing eggs or egg products	3¢ lb	2¢ lb	1½¢ lb.
	Not containing eggs or egg products	2¢ lb	1½¢ lb	1¢ lb.

[4] 50% for illuminating articles.

[5] Except provolette, which is dutiable at 7¢ lb.; min. 35% ad val.

List of articles included with public notices dated Nov. 5, and Dec. 17, 1948, of intention to negotiate at Annecy, France, with 1930 Tariff Act rates of duty, present rates, and rates 50 percent of Jan. 1, 1945 rates—Continued

Tariff Act of 1930, Par.	Item	Tariff Act of 1930 rate	Present rate	50 percent of Jan. 1, 1945, rate
	ITALY—continued			
737	Cherries: Sulphured, or in brine:			
	With pits	5½¢ lb.	5½¢ lb.	2¾¢ lb.
	Without pits	9½¢ lb.	9½¢ lb.	4¾¢ lb.
738	Vinegar (except malt vinegar)	8¢ gal.	8¢ gal.	4¢ gal.
739	Orange peel:			
	Crude, dried or in brine	2¢ lb.	2¢ lb.	1¢ lb.
	Candied or otherwise prepared	8¢ lb.	8¢ lb.	4¢ lb.
	Lemon:			
	Crude, dried, or in brine	2¢ lb.	2¢ lb.	1¢ lb.
	Candied, or otherwise prepared	8¢ lb.	8¢ lb.	4¢ lb.
739	Citrons or citron peel, candied, crystallized, or glace, or otherwise prepared or preserved	6¢ lb.	6¢ lb.	3¢ lb.
739	Fruit peel (not including peel of the orange, grapefruit, lemon, shaddock or pomelo and citron), candied, crystallized, or glace, or otherwise prepared or preserved (not including fruit peel dried or in brine).	8¢ lb.	8¢ lb.	4¢ lb.
740	Figs, prepared or preserved, not specially provided for	40% ad val.	40% ad val.	20% ad val.
743	Lemons	2½¢ lb.	2½¢ lb.	1¼¢ lb.
757	Filberts, not shelled	5¢ lb.	5¢ lb.	2½¢ lb.
761	Edible nuts, not specially provided for: Pignolia:			
	Not shelled	2½¢ lb.	2½¢ lb.	1¼¢ lb.
	Shelled	5¢ lb.	5¢ lb.	2½¢ lb.
764	Other garden and field seeds: Pepper	15¢ lb.	10¢ lb.	7½¢ lb.
767	Lupines	½¢ lb.	½¢ lb.	¼¢ lb.
770	Red onions (except onion sets)	2½¢ lb.	2½¢ lb.	1¼¢ lb.
772	Tomatoes, prepared or preserved in any manner	50% ad val.	25% ad val.	25% ad val.
775	Vegetables (including horseradish), if pickled, or packed in salt or brine (except cucumbers and onions).	35% ad val.	35% ad val.	17½% ad val.
75	Pastes, balls, puddings, hash (except corned beef hash), and all similar forms, composed of vegetables, or of vegetables and meat or fish, or both, not specially provided for.	35% ad val.	35% ad val.	17½% ad val.
804	Vermuth:			
	In containers holding more than 1 gallon	$1.25 gal.	75¢ gal.	62½¢ gal.
	In containers holding 1 gallon or less	$1.25 gal.	50¢ gal.	31¼¢ gal.
908	Tapestries and other Jacquard-figured upholstery cloths (not including pile fabrics or bed ticking) in the piece or otherwise, wholly or in chief value of cotton or other vegetable fiber.	55% ad val.	40% ad val.	27½% ad val.
911 (a)	Quilts or bedspreads, wholly or in chief value of cotton:			
	Jacquard-figured	40% ad val.	40% ad val.	20% ad val.
	Not Jacquard figured and not block printed by hand	25% ad val.	25% ad val.	12½% ad val.
911 (a)	Blankets, not Jacquard-figured, wholly or in chief value of cotton, whether in the piece or otherwise.	30% ad val., min. 14¼¢ lb.	30% ad val., min. 14¼¢ lb.	15% ad val., min. 7⅛¢ lb.
911 (a)	Blanket cloth, napped or unnapped, not Jacquard-figured, wholly or in chief value of cotton.	30% ad val., min. 14¼¢ lb.	30% ad val., min. 14¼¢ lb.	15% ad val., min. 7⅛¢ lb.

923	All manufactures, wholly or in chief value of cotton, not specially provided for: Articles of pile construction (except terry-woven towels).	40% ad val.	40% ad val.	20% ad val.
1001	Hemp and hemp tow	2¢ lb.	1¢ lb.	½¢ lb.
1001	Hackled hemp	3½¢ lb.	1¾¢ lb.	⅞¢ lb.
1004 (a)	Single yarns, of hemp or ramie, or a mixture of them:			
	Not finer than 60 lea	35% ad val.	25% ad val.	17½% ad val.
	Finer than 60 lea	25% ad val.	15% ad val.	12½% ad val.
1005 (a)	Cordage, including cables, tarred or untarred, composed of three or more strands, each strand composed of two or more yarns: (3) wholly or in chief value of hemp.	3¼¢ lb.	4⅜¢ lb.	2⅛¢ lb.
1009 (a)	Woven fabrics, not including articles finished or unfinished, of hemp or ramie, or of which these substances or either of them is the component material of chief value (except such as are commonly used as paddings or interlinings in clothing), exceeding thirty and not exceeding one hundred threads to the square inch, counting the warp and filling, weighing not less than four and not more than twelve ounces per square yard, and exceeding twelve inches but not exceeding thirty-six inches in width.	55% ad val.	40% ad val.	27½% ad val.
1014	Towels, finished or unfinished, wholly or in chief value of hemp or ramie, or of which these substances or either of them is the component material of chief value, not exceeding 120 threads to the square inch, counting the warp and filling:			
	Not over 100 threads per square inch	55% ad val.	40% ad val.	27½% ad val.
	Over 100, not over 120 threads per square inch	55% ad val.	30% ad val.	27½% ad val.
1115 (b)	Bodies, hoods, forms, and shapes, for hats, bonnets, caps, berets, and similar articles, wholly or in chief value of wool but not knit or crocheted nor made in chief value of knit, crocheted, or woven material; all the foregoing, if not pulled, stamped, blocked, or trimmed, and not including finished hats, bonnets, caps, berets, and similar articles.	40¢ lb. and 75% ad val.	40¢ lb. and 55% ad val.	20¢ lb. and 27½% ad val.
1205	Woven fabrics in the piece, not exceeding 30 inches in width, whether woven with fast or split edges, wholly or in chief value of silk, including umbrealla silk or Gloria cloth, all the foregoing, if Jacquard-figured, but not bleached, printed, dyed, or colored.	65% ad val.	65% ad val.	32½% ad val.
1205	Woven fabrics in the piece, exceeding 30 inches in width, the fibers of which are chiefly but not wholly of silk, bleached, printed, dyed, or colored; valued at $5 or less per pound:			
	Not Jacquard-figured	55% ad val.	55% ad val.	27½% ad val.
	Jacquard-figured	65% ad val.	65% ad val.	32½% ad val.
1205	Woven fabrics in the piece, not exceeding 30 inches in width, the fibers of which are wholly of silk, bleached, printed, dyed, or colored, whether woven with fast or split edges; all the foregoing if Jacquard-figured and valued at $5.50 or less per pound.	65% ad val.	65% ad val.	32½% ad val.
1205	Woven fabrics in the piece, not exceeding 30 inches in width, the fibers of which are chiefly but not wholly of silk, bleached, printed, dyed, or colored, whether woven with fast or split edges, including umbrealla silk or Gloria cloth; all the foregoing, and valued at $5 or less per pound:			
	Not Jacquard-figured	60% ad val.	50% ad val.	25% ad val.
	Jacquard-figured	65% ad val.	65% ad val.	32½% ad val.
1301	Filaments of rayon or other synthetic textile, grouped, not specially provided for, weighing, per length of 450 meters:			
	Less than 150 deniers	50% ad val., min. 40¢ lb.	50% ad val., min. 40¢ lb.	25% ad val., min. 20¢ lb.
	150 deniers or more	45% ad val., min. 40¢ lb.	45% ad val., min. 40¢ lb.	22½% ad val., min. 20¢ lb.
1309	Filaments of rayon or other synthetic textile, not exceeding 30 inches in length, other than waste, whether known as cut fiber, staple fiber, or by any other name.	25% ad val.	20% ad val.	12½% ad val.
1403	Manufactures of papier-mâché, not specially provided for (not including masks)	25% ad val.	25% ad val.	12½% ad val.
1405	Cloth-lined or reinforced paper	5¢ lb. and 17% ad val.	5¢ lb. and 17% ad val.	2½¢ lb. and 8½% ad val.

List of articles included with public notices dated Nov. 5, and Dec. 17, 1948, of intention to negotiate at Annecy, France, with 1930 Tariff Act rates of duty, present rates, and rates 50 percent of Jan. 1, 1945 rates—Continued

Tariff Act of 1930, Par.	Item	Tariff Act of 1930 rate	Present rate	50 percent of Jan. 1, 1945, rate
	ITALY—continued			
1406	Labels, flaps, and bands, composed wholly or in chief value of paper lithographically printed in whole or in part from stone, gelatin, metal, or other material, but not printed in whole or in part in metal leaf and not specially provided for, all the foregoing, if not exceeding ten square inches cutting size in dimensions, embossed or die-cut, and if printed in less than eight colors.	35¢ lb.	35¢ lb.	17½¢ lb.
1407 (a)	Drawing and similar paper, weighing eight pounds or over per ream and valued at less than 40 cents per pound, not ruled, bordered, embossed, printed, lined, or decorated in any manner.	3¢ lb. and 15% ad val.	3¢ lb. and 15% ad val.	1½¢ lb. and 7½% ad val.
1410	Book covers wholly or in part of leather, not specially provided for.	30% ad val.	30% ad val.	15% ad val.
1410	All post cards (not including American views), plain, decorated, embossed, or printed except by lithographic process.	30% ad val.	30% ad val.	15% ad val.
1504 (a)	Braids, plaits, and laces, composed wholly or in chief value of straw, chip, paper, grass, willow, osier, rattan, real horsehair, cuba bark, or manila hemp, and braids and plaits, wholly or in chief value of ramie, all the foregoing suitable for making or ornamenting hats, bonnets, or hoods: Bleached, dyed, colored, or stained, and not containing a substantial part of rayon or other synthetic textile.	25% ad val.	20% ad val.	12½% ad val.
1509	Buttons of vegetable ivory, finished or partly finished.	1¼¢ line per gross & 25% ad val.	1¼¢ line per gross & 25% ad val.	⅝¢ line per gross & 12½% ad val.
1518	Natural grasses, grains, leaves, plants, shrubs, herbs, trees, and parts thereof, not specially provided for, when colored, dyed, painted, or chemically treated.	75% ad val.	75% ad val.	37½% ad val.
1518	Natural grasses, grains, leaves, plants, shrubs, herbs, trees, and parts thereof, not specially provided for, when bleached.	50% ad val.	50% ad val.	25% ad val.
1518	Boas, boutonnieres, wreaths, and all articles not specially provided for, composed wholly or in chief value of any of the foregoing.	60% ad val.	60% ad val.	30% ad val.
1518	Boas, boutonnieres, wreaths, and all articles not specially provided for, composed wholly or in chief value of colored, dyed, painted, or chemically treated natural greases, grains, leaves, plants, shrubs, herbs, trees, and parts thereof, not specially provided for.	75% ad val.	75% ad val.	37½% ad val.
1523	Human hair, cleaned or commercially known as drawn, but not manufactured.	20% ad val.	20% ad val.	10% ad val.
1529 (a)	Laces, lace fabrics, and lace articles, made wholly by hand without the use of any machine-made material or article provided for in paragraph 1529 (a), Tariff Act of 1930 (except laces, fabrics, and articles, if exceeding 2 inches in width and valued at more than $50 per pound); all the foregoing if wholly or in chief value of vegetable fiber other than cotton, however provided for in said paragraph 1529 (a).	90% ad val.	60% ad val.	45% ad val.
1529 (a)	Articles made wholly of any hand-made lace, hand-made lace fabrics, or hand-made lace articles provided for in paragraph 1529 (a), Tariff Act of 1930, and articles (except wearing apparel) in part of hand-made lace, hand-made lace fabrics, or hand-made lace articles provided for in said paragraph 1529 (a); all the foregoing if wholly or in chief value of vegetable fiber other than cotton, and if containing no machine-made material or article provided for in said paragraph 1529 (a), however provided for in said paragraph 1529 (a), (except articles valued at more than $50 per pound in which none of the laces, lace fabrics, or lace articles is 2 inches or less in width).	90% ad val.	60% ad val.	45% ad val.

1529 (a)	Laces, lace fabrics, and lace articles, made on a machine other than a Levers (including go-through) or bobbinet-Jacquard machine, however provided for in paragraph 1529 (a), Tariff Act of 1930 (except articles of wearing apparel, nets and nettings, veils and veilings made on a lace or net machine, and gloves and mittens).	90% ad val.	60% ad val.	45% ad val.
1530 (c)	Leather (except leather provided for in subparagraph (d) of paragraph 1530, Tariff Act of 1930) made from hides or skins of animals * * *, in the rough, in the white, crust, or russet, partly finished, or finished: Glove and garment leather made from goat or kid skins, not imported to be used in the manufacture of boots, shoes, or footwear, or cut or wholly or partly manufactured into uppers, vamps, or any forms or shapes suitable for conversion into boots, shoes, or footwear.	20% ad val.	15% ad val.	10% ad val.
1530 (e)	Boots, shoes, or other footwear (including athletic or sporting boots and shoes), made wholly or in chief value of leather, not specially provided for: Turn or turned, for women and misses (except slippers for housewear and moccasins of the Indian handicraft type, having no line of demarcation between the soles and the uppers).	20% ad val.	10% ad val.	5% ad val.
1531	Manufactures of leather (except reptile leather), rawhide, or parchment, or of which leather (except reptile leather), rawhide, or parchment is the component material of chief value, not specially provided for (not including bags, baskets, belts, satchels, pocketbooks, jewel boxes, portfolios, and other boxes and cases; coin purses, change purses, billfolds, bill cases, bill rolls, bill purses, bank-note cases, currency cases, money cases, card cases, license cases, pass cases, passport cases, letter cases, and similar flat leather goods; strops and straps; buckles and other wearing apparel; leads, leashes, collars, muzzles, and similar dog equipment, nor any article permanently fitted and furnished with traveling bottle, drinking, dining or luncheon, sewing, manicure, or similar sets).	35% ad val.	17½% ad val.	12½% ad val.
1537 (c)	Combs of whatever material composed, except combs wholly of rubber, metal, or compounds of cellulose, not specially provided for, if valued at $4.50 or less per gross.	1¢ each+25% ad val.	1¢ each+25% ad val.	½¢ each+12½% ad val.
1538	Manufactures of mother-of-pearl or shell, or of which these substances or either of them is the component material of chief value, not specially provided for; and shells and pieces of shells engraved, cut, ornamented, or otherwise manufactured.	35% ad val.	25% ad val.	17½% ad val.
1541 (a)	Musical instruments and parts thereof, not specially provided for: Piano accordions and parts of accordions (except parts, other than reeds, specially designed for concertinas and other accordions having not more than 32 treble buttons and not more than 25 bass buttons).	40% ad val.	40% ad val.	20% ad val.
	Cymbals and parts thereof	40% ad val.	20% ad val.	10% ad val.
1541 (a)	Musical instruments and parts thereof, not specially provided for: Accordions (including concertinas but not including piano accordions); and parts (except reeds) specially designed for concertinas and other accordions having not more than 32 treble buttons and not more than 25 bass buttons.	40% ad val.	40% ad val.[1]	20% ad val.
1547 (a)	Works of art: (2) Statuary, sculptures, or copies, replicas, or reproductions thereof, valued at not less than $2.50, and not specially provided for.	20% ad val.	20% ad val.	10% ad val.
1552	All smokers' articles whatsoever, and parts thereof, finished or unfinished, not specially provided for, of whatever material composed, except china, porcelain, parian, bisque, earthenware, or stoneware:			
	Cigar and cigarette boxes, wholly or in chief value of wood and valued at 50 cents or more each.	60% ad val.	30% ad val.	15% ad val.
	Cigarette paper (except cork paper and cigarette paper in bobbins or cut to cigarette size, and not including cigarette books).	60% ad val.	30% ad val.	22½% ad val.
1554	Umbrellas, parasols, and sunshades, covered with material other than paper or lace, not embroidered or appliqued.	40% ad val.	40% ad val.	20% ad val.
1554	Handles and sticks for umbrellas, parasols, sunshades, and walking canes, if composed wholly or in chief value of materials other than synthetic resin or compounds of cellulose.	40% ad val.	40% ad val.	20% ad val.

[1] 25% on those having not more than 32 treble buttons and not more than 25 bass buttons and parts (except reeds).
[6] Except cigar bands, which are dutiable at 31 cents per pound

List of articles included with public notices dated Nov. 5, and Dec. 17, 1948, of intention to negotiate at Annecy, France, with 1930 Tariff Act rates of duty, present rates, and rates 50 percent of Jan. 1, 1945 rates—Continued

Tariff Act of 1930, Par.	Item	Tariff Act of 1930 rate	Present rate	50 percent of Jan. 1, 1945, rate
	ITALY—continued			
1602	Aconite, cocculus indicus, manna; marshmallow or althea root, leaves and flowers; all the foregoing which are natural and uncompounded and are in a crude state, not advanced in value or condition by shredding, grinding, chipping, crushing, or any other process or treatment whatever beyond that essential to proper packing and the prevention of decay or deterioration pending manufacture, not containing alcohol.	Free	Free	Free.
1630	Books, pamphlets, and music, in raised print, used exclusively by or for the blind	Free	Free	Free.
1646	Chestnuts (including marrons), not further advanced than crude, dried, or baked	Free	Free	Free.
1649	Citrons and citron peel, in brine	Free	Free	Free.
1670	Dyeing or tanning materials: Sumac, whether crude or advanced in value or condition by shredding, grinding, chipping, crushing, or any similar process, not containing alcohol, and not specially provided for.	Free	Free	Free.
1722	Vegetable substances, crude or unmanufactured, not specially provided for: Orris root, lavender flowers, and sloe and juniper berries.	Free	Free	Free.
1728	Belladonna	Free	Free	Free.
1731	Oils, distilled or essential, not mixed or compounded with or containing alcohol: Bergamot	Free	Free	Free.
1761	Rennet, raw or prepared	Free	Free	Free.
1774	Altars, pulpits, communion tables, baptismal fonts, shrines, or parts of any of the foregoing, and statuary (except casts of plaster of Paris, or of compositions of paper or papier-mache), imported in good faith for presentation (without charge) to, and for the use of, any corporation or association organized and operated exclusively for religious purposes.	Free	Free	Free.
1788	Truffles, fresh, or dried or otherwise prepared or preserved	Free	Free	Free.
1810	Works of art, including pictorial paintings on glass, imported expressly for presentation to a national institution or to any State or municipal corporation or incorporated religious society, college, or other public institution, not including stained or painted window glass or stained or painted glass windows which are works of art when imported to be used in houses of worship, valued at $15 or more per square foot, and excluding any article, in whole or in part, molded, cast, or mechanically wrought from metal within 20 years prior to importation.	Free	Free	Free.
1812	Gobelin tapestries used as wall hangings	Free	Free	Free.
	LIBERIA			
1684	Textile grasses or fibrous vegetable substances, not dressed or manufactured in any manner, and not specially provided for: Palm leaf fiber.	Free	Bound free	Free.
1697	India rubber, crude (not including jelutong or pontianak): Latex	Free	Bound free	Free.
1732	Oils, expressed or extracted: Palm	Free	Bound free	Free.
	NICARAGUA			
10	Balsams, natural and uncompounded, not containing alcohol: Peru: All other (not including copaiba, fir or Canada, tolu, and styrax).	10%	5%	2½%.

1602	Ipecac, natural and uncompounded and in a crude state, not advanced in value or condition by shredding, grinding, chipping, crushing, or any other process or treatment whatever beyond that essential to proper packing and the prevention of decay or deterioration pending manufacture, and not containing alcohol.	Free	Bound free	Free.
1670	Dyeing or tanning materials, whether crude or advanced in value or condition by shredding, grinding, chipping, crushing, or any similar process, not containing alcohol, and not specially provided for: Fustic wood and Brazil wood.	Free	Free	Free.
1803	Wood: (2) Logs: Spanish cedar	Free	Bound free	Free.
1804	Railroad ties, hewn, not sawed on any side	Free	Bound free	Free.
	PERU			
35	Pyrethrum or insect flowers, and derris root, tube or tuba root, and barbasco or cube root, all the foregoing which are natural and uncompounded, but advanced in value or condition by shredding, grinding, chipping, crushing, or any other process or treatment whatever beyond that essential to proper packing and the prevention of decay or deterioration pending manufacture, not containing alcohol.	10%	5%	2½%.
36	Coca leaves	10¢ lb	5¢ lb	2½¢ lb.
377	Bismuth	7½%	3¾%	1⅞%.
501	Sugars, tank bottoms, sirups of cane juice, melada, concentrated melada, concrete and concentrated molasses, and all mixtures containing sugar and water. (NOTE: Computed rates for 96-degree sugar.)	2.5¢ lb	0.6875¢ lb	0.46875¢ lb.
718 (a)	Fish, prepared or preserved in any manner, when packed in oil or in oil and other substances:			
	Tuna	30%	22½%	22½%.
	Bonito and yellowtail:			
	Valued at not over 9¢ lb	30%	30.8%	22%.
	Valued at over 9¢ lb	30%	21%	15%.
783	Cotton having a staple of one and one-eighth inches or more in length	7¢ lb	3½¢ lb	1¾¢ lb.
1102 (b)	Hair of the alpaca, llama, and vicuna, in the grease or washed, scoured, on the skin, and sorted, or matchings, if not scoured:			
	In the grease	34¢ lb	18¢ lb	9¢ lb.
	On the skin	32¢ lb	16¢ lb	8¢ lb.
	Washed	34¢ lb	18¢ lb	9¢ lb.
	Sorted, or matchings, if not scoured	35¢ lb	19¢ lb	9½¢ lb.
	Scoured	37¢ lb	21¢ lb	10½¢ lb.
1116 (a)	Oriental, Axminster, Savonnerie, Aubusson, and other carpets, rugs, and mats, not made on a power-driven loom, plain or figured, whether woven as separate carpets, rugs, or mats, or in rolls of any width, all the foregoing, if wholly or in chief value of hair of the alpaca, llama, guanaco, huarizo, suri, misti, or a combination of the hair of two or more of these species.	50¢ sq. ft 45% minimum	15¢ sq. ft 22½% minimum	12½¢ sq. ft. 11¼% minimum.
1117 (c)	Floor coverings, including mats and druggets, wholly or in chief value of wool, not specially provided for: If wholly or in chief value of hair of the alpaca, llama, guanaco, huarizo, suri, misti, or a combination of the hair of two or more of these species, and if valued at more than 40 cents per square foot.	60%	40%	30%.
1609	Cochineal, and extracts thereof, not containing alcohol	Free	Bound free	Free.
1670	Dyeing or tanning materials, whether crude or advanced in value or condition by shredding, grinding, chipping, crushing, or any similar process, not containing alcohol, and not specially provided for:			
	Tara	Free	Bound free	Free.
	All articles of vegetable origin used for tanning (except tara and not including any article specifically mentioned by name in paragraph 1670, Tariff Act of 1930).	Free	Free	Free.
1685	Guano	Free	Bound free	Free.

List of articles included with public notices dated Nov. 5, and Dec. 17, 1948, of intention to negotiate at Annecy, France, with 1930 Tariff Act rates of duty, present rates, and rates 50 percent of Jan. 1, 1945 rates—Continued

Tariff Act of 1930, Par.	Item	Tariff Act of 1930 rate	Present rate	50 percent of Jan. 1, 1945, rate
	PERU—continued			
1686	Natural gums, natural gum resins, and natural resins, not specially provided for: Leche caspi.	Free	Bound free	Free.
1719	Minerals, crude, or not advanced in value or condition by refining or grinding, or by other process of manufacture, not specially provided for: Vanadium ore or concentrates.	Free	Bound free	Free.
1922	Vegetable substances, crude or unmanufactured, not specially provided for: Barbasco or cube root.	Free	Bound free	Free.
1765	Skins of all kinds, raw, and hides not specially provided for: Goat and kid skins	Free	Bound free	Free.
	SWEDEN			
5	All chemical elements, all chemical salts and compounds, all medicinal preparations, and all combinations and mixtures of any of the foregoing, all the foregoing obtained naturally or artificially and not specially provided for: Cesium chloride, salts known as chrome alums, dicyandiamide, ferric chloride, zinc arsenate, and wood impregnating materials containing salts of arsenic, chromium, or zinc.	25% ad val	25% ad val	12½% ad val.
27 (a)	Xylidine	7¢ lb.+40% ad val	7¢ lb.+40% ad val	3½¢+20% ad val.
28 (a)	Diethylaminoacetoxylidide (Xylocaine)	7¢ lb.+45% ad val	7¢ lb.+45% ad val	3½¢ lb.+22½% ad val.
31 (b) (2)	All compounds of cellulose (except cellulose acetate, but including pyroxylin and other cellulose esters and ethers), and all compounds, combinations, or mixtures of which any such compound is the component material of chief value: Made into finished or partly finished articles of which any of the foregoing is the component material of chief value, not specially provided for (except articles made in chief value from transparent sheets, bands, or strips not more than three one-thousandths of one inch in thickness).	60% ad val	60% ad val	30% ad val.
32	Compounds of cellulose, known as vulcanized or hard fiber, made wholly or in chief value of cellulose.	30% ad val	20% ad val	10% ad val.
78	Potassium hydroxide or caustic potash	1¢ lb	1¢ lb	½¢ lb.
81	Sodium hydroxide or caustic soda	½¢ lb	½¢ lb	¼¢ lb.
218 (f)	Table and kitchen articles and utensils, and all articles of every description not specially provided for, composed wholly or in chief value of glass, blown or partly blown in the mold or otherwise, or colored, cut, engraved, etched, frosted, gilded, ground (except such grinding as is necessary for fitting stoppers or for purposes other than ornamentation), painted, printed in any manner, sand-blasted, silvered, stained, or decorated or ornamented in any manner, whether filled or unfilled, or whether their contents be dutiable or free: Articles primarily designed for ornamental purposes, decorated chiefly by engraving and valued at not less than $8 each.	60% ad val	30% ad val	15% ad val.
226	Lighthouse lenses of glass or pebble, molded or pressed, or ground and polished to a spherical, cylindrical, or prismatic form, wholly or partly manufactured, with edges unground or with edges ground or beveled:			
	With edges unground	40% ad val	25% ad val	12½% ad val.

	With edges ground	10¢ doz. pairs + 35% ad val.	25% ad val., min. 5¢ doz. pairs + 17½% ad val.	12½% ad val., min. 2½¢ doz. pairs + 8¾% ad val.
228	Photometers, frames and mountings therefor, and parts of any of the foregoing: all the foregoing, finished or unfinished.	60% ad val	60% ad val	30% ad val.
284 (a)	Granite suitable for use as monumental, paving, or building stone, not specially provided for, unmanufactured, or not dressed, pointed, pitched, lined, hewn, or polished.	25¢ cu. ft	12½¢ cu. ft	6¼¢ cu. ft.
301	Granular or sponge iron, whether or not containing vanadium, tungsten, molybdenum, or chromium.	$2.25 long ton	$1.25 long ton	$0.625 long ton.
	Additional duty:			
	On vanadium content in excess of 1/10 percent	$1.00 lb	$1.00 lb	$0.50 lb.
	On tungsten content in excess of 3/10 percent	72¢ lb	72¢ lb	36¢ lb.
	On molybdenum content in excess of 3/10 percent	65¢ lb	65¢ lb	32½¢ lb.
	On chromium content in excess of 3/10 percent	3¢ lb	3¢ lb	1½¢ lb.
302 (k)	Ferrochrome or ferrochromium containing less than 3 per centum of carbon	30% ad val	25% ad val	12½% ad val.
303	Muck bars, pieces thereof except crop ends, bar iron, and round iron in coils or rods, iron in slabs, blooms, loops, or other forms less finished than iron in bars and more advanced than pig iron, except castings; all the foregoing, valued above 2½ cents per pound:			
	Valued over 2½ cents and not ove 3½ cents per pound	0.8¢ lb	0.5¢ lb	0.25¢ lb.
	Valued over 3½ cents and not over 5 cents per pound	1.0¢ lb	0.8¢ lb	0.4¢ lb.
	Valued over 5 cents per pound	1.5¢ lb	1.0¢ lb	0.5¢ lb.
304	Steel ingots, cogged ingots, blooms and slabs, by whatever process made; die blocks or blanks; billets and bars, whether solid or hollow; shafting; pressed, sheared, or stamped shapes, not advanced in value or condition by any process or operation subsequent to the process of stamping; hammer molds or swaged steel; gun-barrel molds not in bars; concrete reinforcement bars; all descriptions and shapes of dry sand, loam, or iron molded steel castings; sheets and plates and steel not specially provided for; Hollow bars and hollow drill steel, valued above 5 and not above 8 cents per pound and above 12 and not above 16 cents per pound:			
	Valued above 5 and not above 8 cents per pound	2.45¢ lb	0.375¢ lb. +20% ad val.	0.375¢ lb. +10% ad val.
	Valued above 12 and not above 16 cents per pound	4.25¢ lb	3.875¢ lb	2.125¢ lb.
	Steel circular saw plates, regardless of value (additional duty)	¼¢ lb	¼¢ lb	⅛¢ lb.
	Other, valued above 5 and not above 16 cents per pound:			
	Valued above 5 and not above 8 cents per pound	1.7¢ lb	20% ad. val	10% ad val.
	Valued above 8 and not above 12 cents per pound	2½¢ lb	2½¢ lb	1¼¢ lb.
	Valued above 12 and not above 16 cents per pound	3½¢ lb	3½¢ lb	1¾¢ lb.
315	Wire rods: Rivet, screw, fence, and other iron or steel wire rods, whether round, oval or square, or in any other shape, nail rods and flat rods up to six inches in width ready to be drawn or rolled into wire or strips, all the foregoing in coils or otherwise, valued at over 2½ cents per pound:			
	Valued over 2½ and not over 4 cents per pound	0.3¢ lb	0.3¢ lb	0.15¢ lb.
	Valued over 4 cents per pound	0.6c lb	0.6¢ lb	0.3¢ lb.
315	All iron or steel wire rods, which have been tempered or treated in any manner or partly manufactured. (Additional duty for tempering, etc.)	¼¢ lb	¼¢ lb	⅛¢ lb.
315	All iron or steel bars and rods of whatever shape or section which are cold rolled, cold drawn, cold hammered, or polished in any way in addition to the ordinary process of hot rolling or hammering. (Additional duty for cold rolling, etc.).	⅛¢ lb	⅛¢ lb	1/16¢ lb.
315	All strips, plates, or sheets of iron or steel of whatever shape, other than polished, planished, or glanced sheet iron or sheet steel, which are cold hammered, blued, brightened, tempered, or polished by any process to such perfected surface finish or polish better than the grade of cold rolled, smoothed only (additional duty for cold hammering, etc.).	0.2¢ lb	0.2¢ lb	0.1¢ lb.
316(a)	Round iron or steel wire, valued above 6 cents per pound	25% ad val	20% ad val	10% ad val.

List of articles included with public notices dated Nov. 5, and Dec. 17, 1948, of intention to negotiate at Annecy, France, with 1930 Tariff Act rates of duty, present rates, and rates 50 percent of Jan. 1, 1945 rates—Continued

Tariff Act of 1930, Par.	Item	Tariff Act of 1930 rate	Present rate	50 percent of Jan. 1, 1945, rate
	SWEDEN—continued			
316 (a)	All flat wires and all steel in strips not thicker than one-quarter of one inch and not exceeding sixteen inches in width, whether in long or short lengths, in coils or otherwise, and whether rolled or drawn through dies or rolls, or otherwise produced:			
	Not thicker than 1/100 of one inch	25% ad val.	15% ad val.	7½% ad val.
	Thicker than 1/100 and not thicker than 5/100 of one inch	25% ad val.	20% ad val.	10% ad val.
	Thicker than 5/100 and not thicker than ¼ of one inch	25% ad val.	25% ad val.	12½% ad val.
316 (a)	All wire of iron, steel, or other metal (except round iron or steel wire valued not above 6 cents per pound) coated by dipping, galvanizing, sherardizing, electrolytic, or any other process with zinc, tin, or other metal (additional duty for coating by dipping, etc.).	0.2¢ lb.	0.2¢ lb.	0.1¢ lb.
318	Fourdrinier wires and cylinder wires, suitable for use in paper-making machines (whether or not parts of or fitted or attached to such machines), and woven-wire cloth suitable for use in the manufacture of Fourdrinier wires or cylinder wires:			
	Fourdrinier wires	50% ad val.	75% ad val. (Sec. 336)	37½% ad val.
	Cylinder wires and woven-wire cloth:			
	Having more than 55 meshes per lineal inch	50% ad val.	75% ad val. (Sec. 336)	37½% ad val.
	Not having more than 55 meshes per lineal inch	50% ad val.	50% ad val.	25% ad val.
319 (a)	Forgings of iron or steel, or of combined iron and steel, not machined, tooled, or otherwise advanced in condition by any process or operation subsequent to the forging process, not specially provided for.	25% ad val.	25% ad val.	12½ ad val.
321	Antifriction balls and rollers, metal balls and rollers commonly used in ball or roller bearings, metal ball or roller bearings, and parts thereof, whether finished or unfinished, for whatever use intended:			
	Antifriction balls and rollers	10¢ lb.+45% ad val.	4¢ lb.+25% ad val.	4¢ lb.+12½% ad val.
	Ball and roller bearings and parts thereof	10¢ lb.+45% ad val.	8¢ lb.+35% ad val.	4¢ lb.+17½% ad val.
325	Anvils of iron or steel, or of iron and steel combined, by whatever process made, or in whatever stage of manufacture, weighing 5 pounds or more each.	3¢ lb.	2¢ lb.	1¢ lb.
328	Finished or unfinished iron or steel tubes not specially provided for (not including lap-welded, butt-welded, seamed, or jointed iron or steel tubes, tubes made from plate metal, whether corrugated, ribbed, or otherwise reinforced against collapsing pressure, flexible metal tubing, and rigid iron or steel tubes prepared and lined or coated in any manner suitable for use as conduits for electrical conductors).	25% ad val.	25% ad val.	12½% ad val.
339	Table, household, kitchen, and hospital utensils, and hollow or flat ware, not specially provided for, composed of iron or steel and enameled or glazed with vitreous glasses: Sanitary articles; and other than sanitary articles if containing electrical heating elements as constituent parts thereof.	5¢ lb.+30% ad val.	5¢ lb.+15% ad val.	2½¢ lb.+7½% ad val.
340	Crosscut saws, mill saws, pit and drag saws, steel band saws, finished or further advanced than tempered and polished, hand, back, and all other saws, not specially provided for not including circular saws):			
	Crosscut saws	20% ad val.	15% ad val.	7½% ad val.
	Mill, pit and drag, and steel band saws	20% ad val.	12% ad val.	6% ad val.
	Hand, back, and all other saws m. s. p. f.:			

	Valued not over 5 cents each	20% ad val	20% ad val	10% ad val.
	Valued over 5 cents each	20% ad val	15% ad val	7½% ad val.
352	Twist and other drills, reamers, milling cutters, taps, dies, die heads, and metal-cutting tools of all descriptions, and cutting edges or parts for use in such tools, composed of steel or substitutes for steel, all the foregoing, if suitable for use in cutting metal, not specially provided for (not including cutting tools of any kind containing more than one-tenth of 1 per centum of vanadium, or more than two-tenths of 1 per centum of tungsten, molybdenum, or chromium).	50% ad val	50% ad val	25% ad val.
354	Pen knives and pocketknives which have folding blades and steel handles ornamented or decorated with etchings or gilded designs, or both, and valued at more than $6 per dozen.	35¢ each+55% ad val	17½¢ each+27½% ad val.	8¾¢ each+13¾% ad val.
356	Roll bars, bed plates, and all other stock-treating parts for pulp and paper machinery (not including paper and pulp mill knives).	20% ad val	20% ad val	10% ad val.
357	All scissors and other shears (except pruning and sheep shears), and blades for the same, finished or unfinished, valued at not more than $1.75 per dozen:			
	Not over 50 cents per dozen	3½¢ each+45% ad val	3½¢ each+45% ad val	1¾¢ each+22½% ad val.
	Over 50 cents and not over $1.75 per dozen	15¢ each+45% ad val	15¢ each+45% ad val	7½¢ each+22½% ad val.
358	Razors and parts thereof (not including safety razors, and safety-razor blades, handles, or frames), finished or unfinished, valued at $1.50 or more per dozen:			
	Valued at $1.50 or more, but less than $3.00 per dozen	30¢ each+30% ad val	30¢ each+30% ad val	15¢ each+15% ad val.
	Valued at $3.00 or more, but less than $4.00 per dozen	35¢ each+30% ad val	35¢ each+30% ad val	17½¢ each+15% ad val.
	Valued at $4.00 or more per dozen	45¢ each+30% ad val	45¢ each+30% ad val	22½ each+15% ad val.
359	Surgical instruments, and parts thereof, including hypodermic syringes and forceps, composed wholly or in part of iron, steel, copper, brass, nickel, aluminum, or other metal, finished or unfinished (except surgical needles, including hypodermic needles, and except instruments and parts in chief value of glass).	55% ad val	55% ad val	27½% ad val.
361	Pliers (not including slip joint pliers), pincers, and nippers, and hinged hand tools for holding and splicing wire, finished or unfinished; all the foregoing valued at not more than $2 per dozen.	5¢ each+60% ad val	5¢ each+60% ad val	2½¢ each+30% ad val.
361	Slip joint pliers; and other pliers, pincers, and nippers, and hinged hand tools for holding and splicing wire, finished or unfinished; all the foregoing, valued at more than $2 per dozen:			
	Slip-joint pliers	60% ad val	40% ad val	20% ad val.
	Other pliers, pincers, etc	$1.20 doz.+60% ad val	$0.80 doz.+40% ad val	$0.40 doz.+20% ad val.
362	Files, file blanks, rasps, and floats, of whatever cut or kind, seven inches in length and over	77½¢ doz	45¢ doz	22½¢ doz.
372	Centrifugal machines for the separation of liquids or liquids and solids, not specially provided for (not including cream separators), and parts thereof wholly or in chief value of metal or porcelain, not specially provided for.	25% ad val	25% ad val	12½% ad val.
372	All other machines, finished or unfinished, not specially provided for, and parts thereof wholly or in chief value of metal or porcelain, not specially provided for:			
	Wrapping and packaging machines, and parts thereof (except machines for packaging pipe tobacco, and parts thereof; machines for wrapping cigarette packages, and parts thereof; machines for wrapping candy, and parts thereof; and except combination candy cutting and wrapping machines, and parts thereof). Machines for manufacturing chocolate or confectionery, and parts thereof. Food grinding or cutting machines, and parts thereof.	27½% ad val	27½% ad val	13¾% ad val.
	Machines for making paper pulp or paper, and parts thereof	27½% ad val	20% ad val	10% ad val.
373	Scythes, sickles, grass hooks, and corn knives, and parts thereof, composed wholly or in chief value of metal, whether partly or wholly manufactured.	30% ad. val	20% ad. val	10% ad. val.
379	Metallic arsenic	6¢ lb	6¢ lb	3c lb.

List of articles included with public notices dated Nov. 5, and Dec. 17, 1948, of intention to negotiate at Annecy, France, with 1930 Tariff Act rates of duty, present rates, and rates 50 percent of Jan. 1, 1945 rates—Continued

Tariff Act of 1930, Par.	Item	Tariff Act of 1930 rate	Present rate	50 percent of Jan. 1, 1945, rate
	SWEDEN—continued			
396	Drills (including breast drills), bits, gimlets, gimlet-bits, countersinks, planes, chisels, gouges, and other cutting tools; all the foregoing, if hand tools not provided for in paragraph 353, Tariff Act of 1930, and parts thereof, wholly or in chief value of metal, not specially provided for.	45% ad. val	45% ad. val	22½% ad. val.
397	Articles or wares not specially provided for, not plated with platinum, gold, or silver, or colored with gold lacquer, whether partly or wholly manufactured: Portable cooking and heating stoves, designed to be operated by compressed air and kerosene and/or gasoline, and parts thereof not specially provided for, if composed wholly or in chief value of iron, steel, or other base metal.	45% ad. val	22½% ad. val	12½% ad. val.
405	Plywood (except birch plywood and plywood with face ply of Western red cedar (*thuja plicata*)):			
	Alder	50% ad. val	50% ad. val	25% ad. val.
	Other	40% ad. val	40% ad. val	20% ad. val.
407	Sugar-box shooks, and packing boxes (empty), and packing-box shooks, of wood, not specially provided for.	15% ad. val	7½% ad. val	3¾% ad. val.
412	Spring clothespins	20¢ per gross	10¢ per gross	5¢ per gross.
412	Manufactures of wood or bark, or of which wood or bark is the component material of chief value, not specially provided for:			
	Clothespins (not including spring clothespins)	33⅓% ad. val	25% ad. val	12½% ad. val.
	Brush backs	33⅓% ad. val	33⅓% ad. val	16¾% ad. val.
763	Grass seeds and other forage crops seeds: Tall oat	5¢ lb	5¢ lb	2½¢ lb.
1402	Wallboard, including insulating board, and fiberboard, not plate finished, supercalendered or friction calendered, laminated by means of an adhesive substance, coated, surface stained or dyed, lined or vat-lined, embossed, printed, decorated or ornamented in any manner, nor cut into shapes for boxes or other articles and not specially provided for.	10% ad. val	10% ad. val	5% ad. val.
1405	Grease-proof and imitation parchment paper, not specially provided for, by whatever name known (other than grease-proof and imitation parchment papers which have been supercalendered and rendered transparent or partially so, by whatever name known).	3¢ lb. plus 15% ad val	3¢ lb. plus 15% ad. val	1½¢ lb. plus 7½% ad. val.
1409	Sulphate and sulphite wrapping paper not specially provided for:			
	Sulphate	30% ad val	20% ad val	10% ad val.
	Sulphite	30% ad val	25% ad val	12½% ad val.
1413	Manufactures of paper, or of which paper is the component material of chief value, not specially provided for (except ribbon fly catchers or fly ribbons).	35% ad val	35% ad val	17½% ad val.
1516	Matches, friction or lucifer, of all descriptions:			
	In boxes containing not more than 100 matches per box	20¢ per gross boxes	17½¢ per gross boxes	8¾¢ per gross boxes.
	Other	2¼¢ per M	2¼¢ per M	1⅛¢ per M.
	Wind matches	40% ad. val	40% ad. val	20% ad. val.
	All matches in books or folders or having a stained, dyed, or colored stick or stem			
1556	Articles manufactured, in whole or in part, not specially provided for: Tall oil or liquid rosin	20% ad val	20% ad. val	10% ad. val.
1604	Agricultural implements:			

	Cream separators valued at not more than $50 each, whether in whole or in parts, including repair parts.	Free	Bound free	Bind free.
1623	Hard crisp bread made from rye flour and not more than 5 per centum of wheat flour, if any, with yeast as the leavening substance.	Free	Bound free	Bind free.
1700	Iron ore, including manganiferous iron ore	Free	Bound free	Bind free.
1716	Chemical wood pulp, unbleached (except screenings and soda pulp)	Free	Bound free	Bind free.
	URUGUAY			
19	Casein or lactarene and mixtures of which casein or lactarene is the component material of chief value, not specially provided for.	5½¢ per lb	2¾¢ per lb	1⅜¢ per lb.
705	Extract of meat, including fluid	15¢ per lb	7½¢ per lb	3¾¢ per lb.
706	Meats, prepared or preserved, not specially provided for (except meat pastes other than liver pastes, packed in airtight containers weighing with their contents not more than 3 ounces each):			
	Beef packed in airtight containers, and pickled or cured beef or veal	6¢ per lb. but not less than 20% ad val.	3¢ per lb. but not less than 20% ad val.	1½¢ per lb. but not less than 10% ad val.
	Other	6¢ per lb. but not less than 20% ad val.	3¢ per lb. but not less than 10% ad val.	1½¢ per lb. but not less than 10% ad val.
1530 (a)	Hides and skins of cattle of the bovine species (except hides and skins of the Indian water buffalo imported to be used in the manufacture of rawhide articles), raw or uncured, or dried, salted, or pickled.	10% ad val.	5% ad val.	2½% ad val.
1603	Agates, unmanufactured	Free	Bound free	Free.
1625	Blood, dried, not specially provided for	Free	Bound free	Free.
1627	Bones: Crude, steamed, or ground; bone dust, bone meal, and bone ash; and animal carbon suitable only for fertilizing purposes.	Free	Bound free	Free.
1780	Tankage, unfit for human consumption	Free	Bound free	Free.

SWISS IMPORTS OF TRADE-AGREEMENT COMMODITIES

Senator Millikin requested that there be placed in the record a list of exports to Switzerland of products on which the Swiss made concessions in the trade agreement with the United States, to show trade before and after the agreement as a means of indicating what benefits this country received in exchange for concessions granted.

The following tabulation is submitted in response to that request. Because Switzerland an inland country, American exports which may be destined for Switzerland often show in United States export statistics as exported to the country of the ocean port of destination rather than to Switzerland. Swiss import data therefore provide a better measurement of American shipments to Switzerland than do United States export data.

SWISS IMPORTS OF TRADE-AGREEMENT COMMODITIES AND OF LEADING NONAGREEMENT COMMODITIES FROM THE UNITED STATES AND OTHER MAJOR SUPPLIERS, 1934–38

(The trade agreement with Switzerland became effective on February 15, 1936)

Reference.—Memorandum of January 31, 1940, from Trade Agreements Unit, Bureau of Foreign and Domestic Commerce, entitled "Statistics Showing Imports Into Certain Foreign Countries of Trade-Agreement Commodities and Leading Nonagreement Commodities."

General note.—Where a trade-agreement concession affects only part of a previous statistical classification, statistics covering only the concession item or items are generally not available for the preagreement period. In order to afford some basis for comparing the postagreement trade in such items with the preagreement trade, statistics covering the entire preagreement classification are given for the full series of years, even though they may include products not affected by the agreement. These items carry a notation that the concession applies only on a part of the classification, and they are followed by the postagreement classifications, in indented position, showing, separately, imports of the agreement items and the nonagreement items in 1937 and 1938. Preliminary statistics of 1938 imports into Switzerland were used in this study.

Abbreviations—M. Q., Metric Quintal (220.46 lbs.); n. s. a., not separately available; n. q., negligible quantity; n. e. s., not elsewhere shown in Swiss foreign trade statistics.

Values in thousands of United States dollars converted from Swiss francs as follows: 1 franc equals: 1934, $0.3237; 1935, $0.3250; 1936, $0.3019; 1937, $0.2294; 1938, $0.2287.

Swiss imports

A. PRODUCTS ON WHICH SWITZERLAND GRANTED REDUCTIONS IN DUTY

Stat. No.	Classification	Unit	Preagreement period		Postagreement period		
			1934	1935	1936	1937	1938
89 /ab	Fish, dried, salted, or prepared in any other manner in containers of all kinds weighing 3 kilograms or less (duty reduced on part of classification):						
	All countries	M. Q.	28,851	28,451	30,704	32,543	28,192
		$1,000	1,136	1,188	1,199	1,106	980
	United States	M. Q.	2,602	2,481	4,564	2,765	1,767
		$1,000	45	37	83	43	29
89 a	Sardines and herring in tomato sauce; preserved salmon; in containers weighing 3 kilos or less (agreement item): [1]						
	All countries	M. Q.	n. s. a.	n. s. a.	n. s. a.	9,061	6,242
		$1,000	n. s. a.	n. s. a.	n. s. a.	170	132
	United States	M. Q.	n. s. a.	n. s. a.	n. s. a.	2,582	1,522
		$1,000	n. s. a.	n. s. a.	n. s. a.	40	25
89 b	Other (nonagreement item):						
	All countries	M. Q.	n. s. a.	n. s. a.	n. s. a.	23,482	21,950
		$1,000	n. s. a.	n. s. a.	n. s. a.	936	848
	United States	M. Q.	n. s. a.	n. s. a.	n. s. a.	183	245
		$1,000	n. s. a.	n. s. a.	n. s. a.	3	4
101 b	Preserved fruit of all kinds (except candied citrus fruits):						
	All countries	M. Q.	13,255	9,859	10,828	15,145	9,267
		$1,000	322	206	223	275	167
	United States	M. Q.	2,086	1,295	1,488	2,159	2,360
		$1,000	58	38	42	44	43
102	Chewing gum		(2)	(2)	(2)	(2)	(2)
103, 103 c	Various luxury items (other than goose liver, oysters, olives, mushrooms, etc.) including preserved shrimp (duty reduced on part of classification):						
	All countries	M. Q.	742	803	891	893	922
		$1,000	143	140	143	151	154
	United States	M. Q.	51	43	170	177	210
		$1,000	3	3	15	11	14
103 c	Preserved shrimp (agreement item):						
	All countries	M. Q.	n. s. a.	n. s. a.	n. s. a.	222	284
		$1,000	n. s. a.	n. s. a.	n. s. a.	14	19
	United States	M. Q.	n. s. a.	n. s. a.	n. s. a.	140	167
		$1,000	n. s. a.	n. s. a.	n. s. a.	9	11

[1] Included in the statistics are some herring not in tomato sauce which are not covered by the agreement. Imports from the United States, however, consist largely of the products specified.

[2] Not available.

Swiss imports—Continued

A. PRODUCTS ON WHICH SWITZERLAND GRANTED REDUCTIONS IN DUTY—Continued

Stat. No.	Classification	Unit	Preagreement period		Postagreement period		
			1934	1935	1936	1937	1938
103	Various luxury items excluding preserved shrimp (nonagreement item):						
	All countries	M. Q	n. s. a.	n. s. a.	n. s. a.	671	638
		$1,000	n. s. a.	n. s. a.	n. s. a.	137	135
	United States	M. Q	n. s. a.	n. s. a.	n. s. a.	37	43
		$1,000	n. s. a.	n. s. a.	n. s. a.	2	3
948 a1	Typewriters and parts:						
	All countries	M. Q	1,085	1,044	978	1,185	1,180
		$1,000	654	574	514	557	537
	United States	M. Q	558	570	542	687	660
		$1,000	313	306	298	360	309
	Germany	M. Q	424	366	393	424	404
		$1,000	273	208	191	172	176
948 a/a2	Gas meters, cash registers, accounting machines, and parts thereof (duty reduced on part of classification):						
	All countries	M. Q	2,412	1,797	1,134	1,273	1,292
		$1,000	800	622	422	428	482
	United States	M. Q	640	756	451	313	453
		$1,000	250	264	183	153	207
948 a2	Cash registers, accounting machines, and parts (agreement item):						
	All countries	M. Q	n. s. a.	n. s. a.	477	371	456
		$1,000	n. s. a.	n. s. a.	190	166	204
	United States	M. Q	n. s. a.	n. s. a.	417	273	357
		$1,000	n. s. a.	n. s. a.	165	130	169
948 a	Gas meters (nonagreement item):						
	All countries	M. Q	n. s. a.	n. s. a.	657	902	836
		$1,000	n. s. a.	n. s. a.	232	262	278
	United States	M. Q	n. s. a.	n. s. a.	34	40	96
		$1,000	n. s. a.	n. s. a.	18	23	38

B. PRODUCTS ON WHICH SWITZERLAND GRANTED REDUCTIONS IN DUTY AND QUOTA INCREASES

25 a	Prunes:						
	All countries	M. Q	17,370	11,972	20,771	12,422	18,733
		$1,000	296	170	319	173	214
	United States	M. Q	16,511	11,842	15,907	11,218	18,720
		$1,000	283	168	253	162	214
25 a1	Prunes in containers weighing 50 kilograms or more: [3]						
	All countries	M. Q	n. s. a.	n. s. a.	n. s. a.	n. s. a.	7,018
		$1,000	n. s. a.	n. s. a.	n. s. a.	n. s. a.	75

	United States	M. Q	n. s. a.	n. s. a.	n. s. a.	n. s. a.	7,018
		$1,000	n. s. a.	n. s. a.	n. s. a.	n. s. a.	75
26 a2	Prunes in containers weighing less than 50 kilograms:						
	All countries	M. Q	n. s. a.	n. s. a.	n. s. a.	n. s. a.	11,715
		$1,000	n. s. a.	n. s. a.	n. s. a.	n. s. a.	139
	United States	M. Q	n. s. a.	n. s. a.	n. s. a.	n. s. a.	11,702
		$1,000	n. s. a.	n. s. a.	n. s. a.	n. s. a.	139
27	Dried fruit, pitted or stoned:						
	All countries	M. Q	12,055	6,309	8,233	10,069	7,847
		$1,000	364	205	266	287	204
	United States	M. Q	11,262	5,966	7,842	9,580	7,643
		$1,000	343	196	255	274	198
27 a	Dried apricots:						
	All countries	M. Q	n. s. a.	n. s. a.	n. s. a.	6,283	6,061
		$1,000	n. s. a.	n. s. a.	n. s. a.	195	167
	United States	M. Q	n. s. a.	n. s. a.	n. s. a.	6,197	6,037
		$1,000	n. s. a.	n. s. a.	n. s. a.	193	166
27 b	Other dried fruit: [4]						
	All countries	M. Q	n. s. a.	n. s. a.	n. s. a.	3,786	1,786
		$1,000	n. s. a.	n. s. a.	n. s. a.	92	37
	United States	M. Q	n. s. a.	n. s. a.	n. s. a.	3,383	1,606
		$1,000	n. s. a.	n. s. a.	n. s. a.	81	32
95	Lard:						
	All countries	M. Q	10,270	254	6,931	6,600	1,538
		$1,000	161	8	230	216	37
	United States	M. Q	9,907	252	6,611	3,680	1,534
		$1,000	154	8	220	125	36
330 a/a1	Wallboard of vegetable fiber and paper cut for packing boxes (duty reduced and quota increased on part of classification):						
	All countries	M. Q	12,428	5,784	3,804	7,360	8,881
		$1,000	152	56	37	65	82
	United States	M. Q	5,664	3,278	659	1,040	1,058
		$1,000	85	30	8	14	14
330 a1	Wallboard of vegetable fiber (agreement item):						
	All countries	M. Q	n. s. a.	n. s. a.	n. s. a.	7,341	8,865
		$1,000	n. s. a.	n. s. a.	n. s. a.	65	82
	United States	M. Q	n. s. a.	n. s. a.	n. s. a.	1,040	1,058
		$1,000	n. s. a.	n. s. a.	n. s. a.	14	14
330 a	Paper cut for packing boxes (nonagreement item):						
	All countries	M. Q	n. s. a.	n. s. a.	n. s. a.	19	16
		$1,000	n. s. a.	n. s. a.	n. s. a.	n. q.	n. q.
	United States	M. Q	n. s. a.	n. s. a.	n. s. a.	None	None.
		$1,000	n. s. a.	n. s. a.	n. s. a.	None	None.

[3] Duty only bound on this group.
[4] Only the quota increase applies to this item.

Swiss imports—Continued

C. PRODUCTS ON WHICH SWITZERLAND GRANTED QUOTA INCREASES

Stat. No.	Classification	Unit	Preagreement period		Postagreement period		
			1934	1935	1936	1937	1938
	Wheat:						
	All countries	1,000 M. Q	4,610	4,801	4,639	4,386	4,308
		$1,000	17,115	17,616	20,149	22,822	17,939
	United States	1,000 M. Q	None	n. q.	n. q.	260	680
		$1,000	None	n. q.	n. q.	1,393	2,932
	Argentina	1,000 M.Q	2,029	2,193	515	1,119	551
		$1,000	7,427	7,944	2,224	6,071	2,420
	Hungary	1,000 M. Q	911	775	1,434	933	513
		$1,000	3,515	3,032	6,337	4,703	2,163
44 b	Canned vegetables other than tomatoes: [6]						
	All countries	M. Q	15,751	15,280	13,678	13,176	9,124
		$1,000	503	480	408	406	260
	United States	M. Q	10,392	10,874	10,549	10,089	6,054
		$1,000	298	325	294	303	178
	France	M. Q	2,286	1,867	1,694	2,025	1,976
		$1,000	108	90	76	77	56
237	Resinous woods for building and industrial purposes, etc.: [6]						
	All countries	M. Q	450,817	304,544	206,588	250,726	174,295
		$1,000	1,882	1,284	879	1,000	681
	United States	M. Q	59,177	53,412	53,152	50,033	26,811
		$1,000	341	298	317	303	155
	Austria	M. Q	204,081	120,392	90,739	122,444	62,755
		$1,000	684	412	295	359	183
522	Pneumatic tire casings, inner tubes: [7]						
	All countries	M. Q	35,175	31,373	29,360	28,895	25,984
		$1,000	2,712	2,244	2,064	1,886	1,590
	United States	M. Q	5,146	4,815	4,460	4,806	3,815
		$1,000	359	325	304	305	243
	Italy	M. Q	5,586	5,238	4,546	4,658	3,838
		$1,000	467	367	329	323	235
541	Socks and stockings of silk or artificial silk: [8]						
	All countries	M. Q	247	254	228	168	111
		$1,000	320	354	318	205	148
	United States	M. Q	18	34	34	22	22
		$1,000	42	65	62	37	39
	Germany	M. Q	121	165	135	99	40
		$1,000	147	208	171	113	53

643 b	Petroleum residues for heating:						
	All countries	1,000 M. Q	1,631	1,686	1,724	1,631	1,711
		$1,000	3,963	3,800	3,497	3,908	3,789
	United States	1,000 M. Q	128	16	77	568	601
		$1,000	327	35	153	1,420	1,361
	French Guiana	1,000 M. Q	21	75	192	306	420
		$1,000	49	161	385	749	917
	Rumania	1,000 M. Q	695	703	651	300	141
		$1,000	1,662	1,544	1,319	660	302
882 e, 882 e1, 882 f, 882 f1, 882 g, 882 g1, 882 h, 882 h1, 882 i	Electric refrigerators, oil burners and parts: [9]						
	All countries	M. Q	4,002	2,706	2,333	2,121	2,107
		$1,000	582	343	250	229	237
	United States	M. Q	2,490	1,584	1,210	1,380	1,196
		$1,000	358	185	120	147	140
	Germany	M. Q	1,027	657	498	305	286
		$1,000	141	93	61	32	35
882 e, 882 f, 882 g, 882 h.	Electric refrigerators and parts: [10]						
	All countries	M. Q	n. s. a.	n. s. a.	n. s. a.	981	978
		$1,000	n. s. a.	n. s. a.	n. s. a.	125	129
	United States	M. Q	n. s. a.	n. s. a.	n. s. a.	598	585
		$1,000	n. s. a.	n. s. a.	n. s. a.	86	86
	Germany	M. Q	n. s. a.	n. s. a.	n. s. a.	195	154
		$1,000	n. s. a.	n. s. a.	n. s. a.	20	21
882 i	Refrigerator cabinets of all kinds, without internal mechanism: [11]						
	All countries	M. Q	1,038	632	906	1,032	977
		$1,000	69	45	60	66	63
	United States	M. Q	648	493	632	732	565
		$1,000	40	32	36	45	37
	Sweden	M. Q	170	107	218	215	288
		$1,000	15	11	21	18	21
882 e1, 882 f1, 882 g1, 882 h1	Oil burners: [12]						
	All countries	M. Q	n. s. a.	n. s. a.	n. s. a.	108	152
		$1,000	n. s. a.	n. s. a.	n. s. a.	38	45
	United States	M. Q	n. s. a.	n. s. a.	n. s. a.	50	46
		$1,000	n. s. a.	n. s. a.	n. s. a.	16	17
914 a	Automobiles and parts weighing each less than 800 kilograms: [11]						
	All countries	M. Q	12,890	15,823	17,242	20,330	24,734
		$1,000	1,285	1,482	1,098	1,199	1,535
	United States	M. Q	342	33	99	301	222
		$1,000	31	3	15	20	17
	Germany	M. Q	5,660	6,669	9,175	12,392	12,129
		$1,000	477	533	493	642	671
	Italy	M. Q	3,933	4,385	4,110	6,389	6,405
		$1,000	490	493	288	444	423

[8] Duty bound for canned asparagus.
[6] Duty bound for Douglas fir.
[7] Duty bound. While the United States and Italy are the only countries shown, Great Britain, France, and Belgium also enjoyed substantial shares in the trade under this item.
[8] Duties bound for socks and stockings of silk.
[9] Duties bound on 882 e, f, g, h, and i. Duties reduced on 882 g1 and 882 h1.
[10] Duties bound.
[11] Duty bound.

Swiss imports—Continued

C. PRODUCTS ON WHICH SWITZERLAND GRANTED QUOTA INCREASES—Continued

Stat. No.	Classification	Unit	Preagreement period		Postagreement period		
			1934	1935	1936	1937	1938
914 b	Automobiles and parts weighing each 800 kilograms to 1,200 kilograms, inclusive:[11]						
	All countries	M. Q	53,768	43,713	37,478	42,244	43,841
		$1,000	4,386	3,360	2,436	2,700	2,917
	United States	M. Q	16,512	10,114	7,541	14,992	17,099
		$1,000	1,119	662	413	948	1,136
	Germany	M. Q	13,296	13,126	11,297	12,240	11,754
		$1,000	1,276	1,111	791	827	787
914 c	Automobiles and parts weighing each more than 1,200 kilograms up to and including 1,600 kilograms: [11]						
	All countries	M. Q	46,395	37,962	33,923	38,090	33,013
		$1,000	3,713	2,778	2,165	1,882	2,103
	United States	M. Q	33,316	28,286	26,123	26,688	24,867
		$1,000	2,281	1,837	1,425	1,382	1,400
	Germany	M. Q	2,546	3,743	3,046	2,708	3,626
		$1,000	304	288	274	215	301
914 d	Automobiles and parts weighing each more than 1,600 kilograms: [11]						
	All countries	M. Q	19,026	11,275	9,258	10,142	10,142
		$1,000	2,584	1,781	1,327	1,309	1,406
	United States	M. Q	11,546	5,128	5,083	5,780	5,539
		$1,000	1,217	603	545	570	568
	Germany	M. Q	3,972	3,434	2,491	2,358	2,233
		$1,000	797	698	449	407	464
954 a	Radio apparatus:						
	All countries	M. Q	4,131	4,163	2,782	2,860	3,094
		$1,000	2,336	2,160	1,463	1,197	1,358
	United States	M. Q	492	497	437	390	429
		$1,000	241	231	190	181	188
	Netherlands	M. Q	1,889	2,027	971	1,214	1,110
		$1,000	1,089	1,060	410	382	385
	Germany	M. Q	983	735	665	588	631
		$1,000	590	462	492	370	465
1065 b	Benzine and benzol for motors: [13]						
	All countries	1,000 M. Q	2,185	2,067	1,938	1,942	2,005
		$1,000	7,494	6,770	6,088	6,907	5,917
	United States	1,000 M. Q	195	322	497	713	705
		$1,000	702	1,039	1,563	2,533	2,077
	Rumania	1,000 M. Q	948	1,113	792	727	805
		$1,000	3,208	3,645	2,492	2,603	2,326

1126, 1126 a	Kerosene:						
	All countries	M. Q	251,467	241,920	219,502	200,591	201,142
		$1,000	778	679	560	604	554
	United States	M. Q	51,158	43,046	47,788	55,606	58,626
		$1,000	158	123	123	169	160
	Iran	M. Q	71,957	86,846	58,728	72,559	71,383
		$1,000	223	246	153	217	195
	Rumania	M. Q	38,052	76,036	71,662	73,809	57,843
		$1,000	116	208	183	205	161
1131 b	Lubricating oils:						
	All countries	M. Q	207,018	222,406	168,091	201,848	190,521
		$1,000	2,175	2,111	1,438	1,581	1,403
	United States	M. Q	139,460	138,134	119,026	135,480	128,287
		$1,000	1,552	1,434	1,010	1,022	901
	Germany	M. Q	32,692	40,871	24,605	34,073	35,550
		$1,000	274	332	197	278	247
	D. PRODUCTS ON WHICH SWITZERLAND BOUND EXISTING TARIFF TREATMENT						
12	Milled rice: [14]						
	All countries	M. Q	41,638	43,861	43,043	50,290	65,452
		$1,000	352	334	349	395	509
	United States	M. Q	16,121	9,168	18,440	24,517	26,410
		$1,000	168	90	173	212	215
	Italy	M. Q	6,241	8,784	6,893	5,524	6,488
		$1,000	57	86	67	51	66
	Netherlands	M. Q	4,254	4,740	2,627	7,541	21,817
		$1,000	36	41	25	48	155
24 a	Fresh apples, pears, and apricots, not in bags or in bulk: [15]						
	All countries	M. Q	45,244	4,348	87,017	63,682	46,917
		$1,000	668	651	1,042	819	574
	United States [16]	M. Q	26,195	10,771	28,935	32,983	26,683
		$1,000	370	146	350	427	304
	Italy	M. Q	2,140	1,312	33,533	2,255	2,725
		$1,000	25	17	356	18	23
33	Raisins: [17]						
	All countries	M. Q	15,561	16,144	17,092	17,358	18,053
		$1,000	250	233	273	275	241
	United States	M. Q	6,255	6,939	8,338	10,052	11,163
		$1,000	108	106	136	161	146
	Greece	M. Q	4,613	3,743	3,433	3,797	3,314
		$1,000	62	46	50	54	40
	Turkey	M. Q	4,396	5,198	5,114	2,824	3,110
		$1,000	76	78	84	50	49

[11] Duty bound.
[13] Duty reduced.
[15] Duty reduced from 28 to 26.50 francs per 100 kilos on Dec. 1, 1936.
[14] Existing quota allotment also bound.
[16] The binding extends only to the existing quota and not to the rate of duty.
[16] All imports from the United States were apples and pears.
[17] May include some imports of Malaga raisins and Denia raisins not covered by the agreement.

Swiss imports—Continued

D. PRODUCTS ON WHICH SWITZERLAND BOUND EXISTING TARIFF TREATMENT—Continued

Stat. No.	Classification	Unit	Preagreement period		Postagreement period		
			1934	1935	1936	1937	1938
149	Bladders, intestines, rennet:						
	All countries	M. Q.	19,306	16,628	21,087	21,200	16,236
		$1,000	1,718	1,388	1,504	1,416	1,096
	United States	M. Q.	9,058	8,064	10,175	7,609	8,198
		$1,000	465	325	342	243	240
	China	M. Q.	1,453	1,909	2,520	2,611	2,141
		$1,000	285	346	454	528	348
184	Goat and kid leather, chrome-tanned: [10]						
	All countries	M. Q.	6,970	7,984	7,465	7,644	5,081
		$1,000	2,500	2,578	2,781	2,757	1,626
	United States	M. Q.	814	843	1,680	886	414
		$1,000	532	532	803	664	226
	Great Britain	M. Q.	1,488	1,940	2,087	2,806	1,479
		$1,000	438	524	612	875	457
	France	M. Q.	1,494	1,724	1,635	1,802	1,451
		$1,000	396	451	507	565	438
341	Cotton, raw:						
	All countries	M. Q.	264,890	265,301	266,462	340,617	284,358
		$1,000	8,979	8,993	9,290	11,612	8,516
	United States	M. Q.	75,669	81,344	75,275	87,275	71,602
		$1,000	2,401	2,580	2,417	2,748	1,765
	Egypt	M. Q.	144,064	141,054	132,198	174,010	158,231
		$1,000	5,332	5,208	5,133	6,541	5,422
628 b	Electrodes, unmounted, other than in block form weighing 40 kilos or more:						
	All countries	M. Q.	1,446	1,248	729	1,393	1,142
		$1,000	42	60	34	71	45
	United States	M. Q.	507	499	376	654	518
		$1,000	29	36	26	47	22
	Germany	M. Q.	895	614	157	709	453
		$1,000	13	18	7	22	16
632 a	Emery powder, carborundum, etc.:						
	All countries	M. Q.	3,081	3,591	4,421	7,668	5,289
		$1,000	67	74	87	117	90
	United States	M. Q.	1,885	1,307	1,115	1,790	1,696
		$1,000	52	29	25	36	33
	France	M. Q.	528	569	1,829	4,895	2,402
		$1,000	11	12	33	64	31
890 b	Typesetting, bookbinding machines:						
	All countries	M. Q.	3,820	4,402	3,767	3,395	3,437
		$1,000	579	677	427	496	433

	United States	M. Q	337	167	101	416	143
		$1,000	67	36	28	76	47
	Germany	M. Q	3,152	3,442	3,146	2,147	2,564
		$1,000	454	562	326	257	317
948 b1, 948 b2, 948 b3, 948 b4.	Calculating machines and parts:						
	All countries	M. Q	305	382	220	312	240
		$1,000	380	352	279	330	254
	United States	M. Q	190	288	160	194	131
		$1,000	221	237	198	206	143
	Germany	M. Q	70	56	34	48	50
		$1,000	96	75	47	59	59
1065 a	Coal-tar derivatives, etc., for the manufacture of aniline dyes:						
	All countries	M. Q	86,401	94,107	96,180	122,624	112,046
		$1,000	867	907	880	1,147	953
	United States	M. Q	40,199	58,144	56,040	81,619	73,559
		$1,000	196	320	304	448	339
	Germany	M. Q	16,806	17,336	17,643	15,157	24,939
		$1,000	322	296	283	313	423
1120	Paraffin and ceresin:						
	All countries	M. Q	15,291	22,868	18,396	21,350	17,646
		$1,000	219	267	217	230	170
	United States	M. Q	10,876	14,656	8,870	7,635	8,772
		$1,000	134	153	86	75	67
	France	M. Q	3	2,704	4,184	4,577	3,580
		$1,000	n. q.	29	45	49	37
1130	Vaseline:						
	All countries	M. Q	3,356	3,810	3,697	3,815	3,294
		$1,000	57	63	55	50	43
	United States	M. Q	2,284	2,573	2,863	2,446	2,166
		$1,000	39	41	40	30	26
	Belgium	M. Q	404	278	517	869	840
		$1,000	7	5	8	12	8
1132 a	Lubricating greases:						
	All countries	M. Q	3,715	3,314	2,402	2,527	2,540
		$1,000	78	56	34	30	42
	United States	M. Q	2,165	1,585	1,262	1,254	751
		$1,000	45	31	19	16	12
	Germany	M. Q	774	1,066	717	917	1,086
		$1,000	13	13	9	9	19

[1] Includes imports of reptilian leather and several other items not included in the agreement, which are of secondary importance to the United States.

Swiss imports—Continued

E. LEADING NONAGREEMENT PRODUCTS

Stat. No.	Classification	Unit	Preagreement period		Postagreement period		
			1934	1935	1936	1937	1938
2	Rye:						
	All countries	M. Q.	56,478	88,437	153,628	279,705	200,560
		$1,000	146	270	471	1,153	716
	United States	M. Q.	None	None	None	19,940	108,307
		$1,000	None	None	None	84	397
4	Barley:						
	All countries	1,000 M. Q.	1,305	1,320	915	1,558	1,476
		$1,000	4,468	4,672	3,308	6,088	5,247
	United States	1,000 M. Q.	None	None	3	38	98
		$1,000	None	None	11	145	330
	Rumania	1,000 M. Q.	720	859	648	426	88
		$1,000	2,276	2,886	2,206	1,649	276
	U. S. S. R.	1,000 M. Q.	2	25	25	232	576
		$1,000	6	85	70	908	1,874
78	Preserved meat other than ham, bacon, and frozen meat:						
	All countries	M. Q.	1,887	1,394	2,478	2,836	2,829
		$1,000	138	117	176	161	158
	United States	M. Q.	466	324	1,028	1,329	1,069
		$1,000	31	24	62	68	59
	France	M. Q.	507	382	382	339	319
		$1,000	60	47	45	33	24
96	Oleomargarine, edible tallow:						
	All countries	M. Q.	28,463	24,755	24,809	30,827	31,294
		$1,000	423	456	469	489	427
	United States	M. Q.	7,256	5,602	3,889	1,724	2,684
		$1,000	133	157	67	49	136
	Argentina	M. Q.	11,869	8,384	10,414	12,762	8,285
		$1,000	162	144	200	197	113
165	Bone, powdered crude bone, bone ashes, lime ashes, and dried scum from sugar refineries, crude phosphates:						
	All countries	M. Q.	248,496	180,618	277,442	318,916	322,027
		$1,000	404	309	457	517	532
	United States	M. Q.	80,952	51,447	81,262	106,766	122,745
		$1,000	115	74	114	131	159
	France	M. Q.	29,808	37,395	65,906	51,158	57,252
		$1,000	71	98	160	117	126
177 a	Sole leather of all kinds, including neck and side backs:						
	All countries	M. Q.	4,022	4,082	3,724	3,785	2,509
		$1,000	388	383	331	326	227
	United States	M. Q.	660	464	355	523	258
		$1,000	52	36	34	57	26

	France	M. Q	540	946	665	518	946
		$1,000	72	118	93	66	107
177 b	Sole leather of all kinds, including neck and side, other than backs:						
	All countries	M. Q	1,853	2,008	1,760	2,701	1,302
		$1,000	111	113	98	148	77
	United States	M. Q	667	582	653	1,022	536
		$1,000	37	29	35	63	28
179	Leather for boot and shoe uppers, calf skins chrome-tanned, dyed or blackened on the outside and shagreened (box calf):						
	All countries	M. Q	1,564	1,558	1,797	2,369	1,252
		$1,000	677	668	851	983	493
	United States	M. Q	124	112	69	134	75
		$1,000	40	46	40	83	38
181	Other leather for boot and shoe uppers, not including calf, cow, and ox in natural color or waxed:						
	All countries	M. Q	7,093	9,796	7,159	8,456	5,356
		$1,000	1,526	2,008	1,553	1,560	1,017
	United States	M. Q	421	518	443	480	383
		$1,000	160	182	169	187	123
	Great Britain	M. Q	841	1,330	1,072	3,068	1,700
		$1,000	71	144	191	363	172
	Germany	M. Q	4,224	6,308	3,223	1,027	446
		$1,000	993	1,242	611	211	115
218	Oil-cake and oil-cake meal, carob beans:						
	All countries	M. Q	143,987	157,942	117,910	242,000	65,470
		$1,000	467	474	444	885	169
	United States	M. Q	2,362	1,611	22,257	44,968	16,216
		$1,000	10	10	100	194	71
	France	M. Q	44,123	82,351	48,676	11,529	2,000
		$1,000	127	294	206	405	7
	Italy	M. Q	66,230	3,181	9,667	54,601	2,322
		$1,000	255	16	45	193	9
	Netherlands	M. Q	20,779	50,819	21,503	12,864	39,406
		$1,000	34	71	26	16	59
229 b	Building and cabinet makers wood, in the rough, hardwoods, other than beech:						
	All countries	M. Q	412,580	389,400	312,535	439,151	428,335
		$1,000	1,262	1,144	957	1,214	1,061
	United States	M. Q	9,570	14,395	8,629	11,903	6,677
		$1,000	42	53	33	62	35
	West Africa	M. Q	116,607	145,663	137,398	231,279	198,379
		$1,000	547	573	504	767	635
	France	M. Q	92,155	99,714	93,459	140,514	183,453
		$1,000	160	179	209	225	265
236	Building and cabinetmakers wood, sawn lengthwise or split, even, completely squared, hardwoods other than oak:						
	All countries	M. Q	163,932	124,733	70,325	122,767	103,350
		$1,000	813	675	335	485	434
	United States	M. Q	7,236	10,701	6,178	5,363	5,836
		$1,000	93	120	64	59	77
	Yugoslavia	M. Q	61,196	38,193	20,700	48,631	41,627
		$1,000	244	145	77	154	128

Swiss imports—Continued

E—LEADING NONAGREEMENT PRODUCTS—Continued

Stat. No.	Classification	Unit	Preagreement period		Postagreement period		
			1934	1935	1936	1937	1938
288	Rags, old rope, and other waste for the manufacture of paper:						
	All countries	M. Q.	137,189	122,565	102,682	96,783	89,042
		$1,000	790	705	612	383	497
	United States	M. Q.	2,186	7,265	6,255	9,088	5,812
		$1,000	20	43	34	50	34
	France	M. Q.	39,687	29,310	26,650	22,870	27,655
		$1,000	263	191	203	147	162
	Great Britain	M. Q.	25,877	35,439	27,143	24,265	26,240
		$1,000	146	211	153	147	183
291	Fibrous materials for the manufacture of paper, produced by chemical processes (cellulose, pulp of straw, espartograss, etc.), wet or dry, bleached:						
	All countries	M. Q.	79,110	74,305	94,589	127,972	123,482
		$1,000	672	663	797	1,133	1,114
	United States	M. Q.	3,560	5,539	6,471	9,634	9,177
		$1,000	52	108	91	168	125
	Sweden	M. Q.	39,330	34,366	59,306	81,562	73,859
		$1,000	318	256	436	687	676
342	Cotton, bleached, dyed, etc.:						
	All countries	M. Q.	24,725	2,158	3,240	3,899	3,212
		$1,000	249	55	68	89	58
	United States	M. Q.	2,819	1,450	2,352	3,108	2,878
		$1,000	49	29	42	70	46
	Sweden	M. Q.	20,362	None	None	None	None
		$1,000	171	None	None	None	None
609	Clay, potter's clay, refractory earth, china clay, and earths and crude mineral substances n. e. s., even if calcined, washed, or ground:						
	All countries	M. Q.	929,805	757,461	734,779	927,976	849,116
		$1,000	910	853	879	1,040	977
	United States	M. Q.	11,864	9,972	10,378	18,724	16,533
		$1,000	75	64	56	96	83
	Germany	M. Q.	550,674	409,155	335,987	408,341	408,160
		$1,000	373	321	312	348	335
638 a	Garnets, and rubies, in the rough, for watches and clocks:						
	All countries	M. Q.	43	70	122	171	92
		$1,000	71	104	210	188	114
	United States	M. Q.	4	5	19	29	1
		$1,000	17	19	85	61	7
	France	M. Q.	19	43	56	61	56
		$1,000	25	64	96	96	84

645	Coke:						
	All countries	1,000 M. Q	7,428	8,116	8,492	9,476	8,868
		$1,000	7,558	6,542	6,798	9,248	9,099
	United States	1,000 M. Q	32	18	32	66	89
		$1,000	87	66	121	224	276
	Germany	1,000 M. Q	4,690	5,589	5,927	6,426	5,689
		$1,000	4,781	4,343	4,639	6,166	5,749
	France	1,000 M. Q	1,215	1,180	1,287	1,272	1,124
		$1,000	1,211	996	1,010	1,158	1,073
	Netherlands	1,000 M. Q	884	1,013	924	1,028	1,347
		$1,000	833	842	711	997	1,345
604 a	Glass plates for photography, dry; films, unexposed:						
	All countries	M. Q	2,497	2,412	2,406	2,281	2,431
		$1,000	793	771	717	574	707
	United States	M. Q	228	393	336	381	462
		$1,000	64	120	103	97	193
	Germany	M. Q	1,303	1,202	1,185	1,025	1,109
		$1,000	469	435	374	272	308
728 a	Sheet iron for dynamos, subject to the requisite measures of control:						
	All countries	M. Q	38,915	48,893	43,714	95,535	43,462
		$1,000	410	441	356	981	549
	United States	M. Q	3,318	4,255	4,396	12,128	9,675
		$1,000	52	50	58	161	169
	Germany	M. Q	30,464	41,243	33,228	45,330	13,892
		$1,000	313	356	250	492	178
815	Pure copper and copper alloys, in bars, pigs, slabs, disks, etc.:						
	All countries	M. Q	148,128	149,614	123,317	204,492	193,778
		$1,000	2,831	2,619	2,641	5,958	4,593
	United States	M. Q	57,824	74,606	81,111	108,411	80,379
		$1,000	1,102	1,340	1,693	3,145	1,906
	Chile	M. Q	45,488	37,395	17,839	41,054	36,014
		$1,000	859	614	363	1,176	804
818 a	Copper wire, in coils; rolled:						
	All countries	M. Q	30,026	24,714	14,305	19,231	14,242
		$1,000	611	468	338	594	341
	United States	M. Q	13,256	9,972	3,986	4,108	1,556
		$1,000	272	186	102	129	37
	Canada	M. Q	2,684	13,714	9,671	14,861	12,570
		$1,000	52	262	222	458	300
894/898 m5	Motors driven by gas, petroleum, benzine, hot air, compressed air, and all other motors, except those for vehicles:						
	All countries	M. Q	6,922	4,844	8,727	6,514	14,669
		$1,000	441	305	412	502	800
	United States	M. Q	744	642	800	1,185	1,721
		$1,000	79	69	73	100	158
	Germany	M. Q	3,302	1,979	3,003	1,461	4,964
		$1,000	157	91	130	143	233
984/898 m6	Machine tools for working metal, wood, stone, etc.:						
	All countries	M. Q	46,642	26,190	20,853	27,148	37,867
		$1,000	2,692	1,933	1,575	2,517	3,718
	United States	M. Q	1,266	3,715	1,443	3,452	5,427
		$1,000	180	368	232	529	818
	Germany	M. Q	40,015	18,373	14,972	18,529	25,032
		$1,000	2,114	1,246	1,003	1,528	2,233

Swiss imports—Continued

E. LEADING NONAGREEMENT PRODUCTS—Continued

Stat. No.	Classification	Unit	Preagreement period		Postagreement period		
			1934	1935	1936	1937	1938
894/898 m9	Machinery and mechanical appliances of all kinds n. e. s.; and finished parts of the same n. e. s.:						
	All countries	M. Q	54,860	46,976	35,829	37,407	38,086
		$1,000	3,555	4,593	3,522	3,629	4,064
	United States	M. Q	1,368	3,438	1,424	1,396	2,105
		$1,000	124	308	164	168	239
	Germany	M. Q	39,764	31,542	23,773	23,702	20,163
		$1,000	2,338	2,816	2,172	2,097	2,036
	France	M. Q	5,095	4,366	4,096	4,331	4,987
		$1,000	405	358	374	371	359
902 (a)	Exposed films for cinematographic projection:						
	All countries	M. Q	336	361	367	383	432
		$1,000	505	530	551	427	446
	United States	M. Q	18	36	33	42	36
		$1,000	30	65	48	49	38
	France	M. Q	148	138	145	143	193
		$1,000	202	191	219	146	165
	Germany	M. Q	106	88	83	82	80
		$1,000	177	137	144	113	106
914 h	Aeroplanes:						
	All countries	M. Q	568	604	420	726	2,145
		$1,000	821	905	490	673	2,407
	United States	M. Q	187	321	83	218	109
		$1,000	293	495	112	313	132
	Germany	M. Q	163	82	94	363	1,551
		$1,000	217	104	107	254	1,787
955	Phonographs, cinematographs, sound disks, etc., for talking machines and similar apparatus:						
	All countries	M. Q	1,369	865	675	693	774
		$1,000	421	339	271	255	307
	United States	M. Q	65	64	64	82	91
		$1,000	42	38	39	47	58
	Germany	M. Q	541	288	193	187	228
		$1,000	165	139	89	86	119
	Great Britain	M. Q	522	393	327	315	325
		$1,000	140	110	102	79	69
981	Pharmaceutical products, n. e. s., such as powders, lozenges, salves, pills, ointments, sirups, tinctures, pharmaceutical jellies, processed fatty oils, extracts, essences, liniments, lotions, specifics, suppositories, tonics, and medicinal wines:						
	All countries	M. Q	5,393	5,557	5,636	5,885	6,371
		$1,000	1,989	1,990	1,994	1,716	1,979
	United States	M. Q	375	352	314	391	452
		$1,000	66	64	53	56	61

	Germany	M. Q	1,972	2,019	1,986	1,935	2,005
		$1,000	982	1,027	969	912	1,009
989	Rosin:						
	All countries	M. Q	31,931	44,108	34,717	42,806	29,535
		$1,000	196	277	216	375	169
	United States	M. Q	4,528	5,491	4,133	7,811	4,601
		$1,000	29	35	28	74	28
	France	M. Q	27,015	37,157	30,216	34,284	24,934
		$1,000	164	230	185	295	141
1059	Methyl alcohol (pure chemical wood spirits); collodion; organic combinations of bromine, chlorine, and iodine; phosgene; other similar products n. e. s.:						
	All countries	M. Q	23,529	25,504	27,620	31,683	31,210
		$1,000	816	803	872	901	940
	United States	M. Q	950	2,300	3,625	4,465	3,232
		$1,000	35	102	105	129	115
	Germany	M. Q	17,080	15,385	15,520	19,357	20,907
		$1,000	661	577	591	611	653
1078	Flour of potato, sago, and tapioca; fecula (starch of potato, of sago, and of tapioca):						
	All countries	M. Q	53,162	57,834	53,360	57,237	45,507
		$1,000	539	659	500	402	412
	United States	M. Q	5,328	8,806	7,621	5,061	3,878
		$1,000	100	168	135	68	76
	Netherlands	M. Q	35,060	29,710	34,213	39,694	29,825
		$1,000	198	155	168	194	173
1103	Lampblack, boneblack, etc.:						
	All countries	M. Q	9,152	3,396	5,041	6,273	6,699
		$1,000	87	58	83	87	93
	United States	M. Q	6,555	2,237	3,486	3,711	4,533
		$1,000	57	37	58	62	67
	Germany	M. Q	1,515	1,079	1,386	1,552	1,267
		$1,000	26	19	24	20	19
1113	Varnishes, lacquers, and siccatives (dryers), with or without coloring matter, linseed oil degreased by exposure to sunlight (Standol):						
	All countries	M. Q	5,868	4,117	4,150	4,303	4,559
		$1,000	467	328	298	271	283
	United States	M. Q	855	496	1,164	882	1,062
		$1,000	65	45	72	55	63
1-9 T	Raw tobacco:						
	All countries	M. Q	67,524	69,484	66,005	71,869	69,054
		$1,000	4,522	4,528	3,671	3,436	3,649
	United States	M. Q	29,798	28,949	26,460	27,816	26,444
		$1,000	2,053	2,027	1,573	1,469	1,600
	Netherlands Indies	M. Q	10,316	10,965	11,274	12,311	9,028
		$1,000	812	778	681	597	494
27 T	Cigarettes in packages of any kind for retail sale, weighing each 1.35 grams or less:						
	All countries	M. Q	248	344	365	413	493
		$1,000	148	149	128	125	143
	United States	M. Q	163	260	292	332	415
		$1,000	80	94	86	86	104
	Egypt	M. Q	53	50	47	49	47
		$1,000	44	32	27	22	23

UNITED STATES-SWISS NEGOTIATORS OF TRADE AGREEMENT OF 1936

The trade agreement between the United States and Switzerland was negotiated in Washington in 1935. The United States negotiators, with their official designations as of that time, were:

Mr. Henry F. Grady, Chief of the Division of Trade Agreements, Department of State.
Mr. Harry C. Hawkins, Assistant Chief, Division of Trade Agreements, Department of State.
Mr. Paul T. Culbertson, Division of Western European Affairs, Department of State.
Mr. David Williamson, Division of Western European Affairs, Department of State.
Mr. Howard Barker, United States Tariff Commission.
Mr. Joseph M. Jones, United States Tariff Commission.
Mr. Leigh Hunt, United States Department of Commerce.
Mr. R. B. Schwenger, United States Department of Agriculture.

The negotiators for the Swiss Government were:

Mr. Walter Stucki, Director of the Commercial Division, Department of Economic Policy.
Mr. Marc Peter, Minister of Switzerland.
Mr. Louis H. Micheli, Counselor of Swiss Legation.
Mr. Victor Nef, Swiss Consul General at New York City, N. Y.

Mr. Albert Amez-Droz, at that time secretary-general of the Swiss Chamber of Commerce for the Watch Industry, was in Washington as a technical adviser to the Swiss negotiators. His principal activity was concerned with discussions of the technical aspects of the smuggling problem. This problem was dealt with in a separate declaration by the Swiss Government, made public simultaneously with the publication of the trade agreement. Under this declaration, the Swiss Government set up an export-control system which went into effect on May 1, 1936.

Senator MILLIKIN. Mr. Chairman, in addition to the State Department witnesses, when we resume with Mr. Thorp, we will also probably want Chairman Ryder and maybe one or two members of the Tariff Commission to appear.

The CHAIRMAN. We can decide on that tomorrow, Senator.

Did you wish to furnish the State Department with a copy of these questions?

Senator MILLIKIN. I have given them a copy.

The CHAIRMAN. Do you wish a copy in the record?

Senator MILLIKIN. No.

The CHAIRMAN. You can see what response can be made to that inquiry by 10 o'clock tomorrow morning, or later, if you cannot get to it before that time.

I offer for the record a summary prepared at my request of the record of imports and domestic production of hand-made table, kitchen, and art glassware.

(The summary referred to is as follows:)

HAND-MADE TABLE, KITCHEN, AND ART GLASSWARE (PAR. 218 (F))

Imports of hand-made table, kitchen, and art glassware in 1948 showed a marked decline from the 1947 figure, despite tariff concessions which became effective in January and April 1948. As indicated in the table below, the decrease amounted to about $1,000,000, a drop of 30 percent compared to 1947. Preliminary estimates of domestic production indicate that it has remained high, equaling the 1947 record. Domestic production in 1947 and 1948 was double the peak prewar (1937) figure, whereas imports were only slightly higher in 1947 than in 1937, and in 1948 were considerably lower. The ratio of imports to production has thus declined greatly since the war (from 15.4 percent in 1937 to 5.5

percent in 1948). Early in 1948 it was reported that foreign prices had risen 200 to 300 percent since 1941, compared with domestic price increases of about 85 to 90 percent.

Hand-made table, kitchen, and art glassware

	Domestic production	Imports	Ratio of imports to production
	Thousands of dollars	*Thousands of dollars*	*Percent*
1937	19,000	2,926	15.4
1946	35,500	2,458	6.9
1947	[1] 42,000	3,307	7.9
1948	[1] 42,000	[2] 2,322	5.5

[1] Estimated.
[2] Preliminary.

Clearly, the demand for luxury and utilitarian products like glassware, purchases of which were deferred during the war, is stimulated by high income. Both imports and domestic production of these articles are determined by the conditions of the domestic market which in turn depend upon the size of the national income. Domestic production and imports of glassware fell at about the same rate during the last half of 1938 compared with 1937. The conditions which made a poor market for domestic products also made a poor market for imports. Similarly, a good market for domestic products can at the same time be a good market for imports.

It was stated in the hearings before the Ways and Means Committee that in the past several weeks a number of plants in West Virginia were either closed or running part time. The inactivity was attributed to imports. If this inactivity is not actually attributable to domestic factors, such as seasonal lay-offs, but is believed to be caused by imports resulting from trade-agreement concessions, there is nothing to prevent the affected firms from applying to the Tariff Commission for an investigation under the escape clause of the general agreement on tariffs and trade.

The concessions on handmade glassware in the Geneva agreement, as with all concessions, were based on painstaking study and preparation by the executive agencies participating in the trade-agreements program. All interested parties were given a full opportunity to state their views at public hearings. The moderate reductions in duty on these articles were accorded only after careful consideration and were designed to promote a healthy international trade without causing or threatening serious injury to a domestic industry. The escape clause has been inserted in all recent agreements and in Executive Order No. 10004 specifically for the purpose of protecting American industry from unforeseen injury. It is not mere ornamentation but a concrete provision with established machinery for its enforcement. It is available to any firm who wishes to use it.

The CHAIRMAN. Is there anything further? If not, the committee will recess until 10 o'clock tomorrow morning.

(Whereupon, at 5:50 p. m., the committee recessed to reconvene tomorrow at 10 a. m. Tuesday, February 22, 1949.)

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EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

TUESDAY, FEBRUARY 22, 1949

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

The committee met at 10 a. m., pursuant to adjournment, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Connally, Byrd, Lucas, Hoey, Millikin, Martin, and Williams.

The CHAIRMAN. The committee will come to order.

Senator MILLIKIN. I see Mr. Brown is here. May we ask him what he knows about ITO?

Mr. BROWN. Nothing whatever happened except it is to come up in the next few weeks.

Senator MILLIKIN. That is as close as you can pin it?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Is it on the President's desk? Or do you know, Mr. Brown?

Mr. BROWN. I do not know. All I know is that we are anxious to see it come within the next few weeks. Of course, it is his decision. I do not know whether it is on his desk or not.

Senator MILLIKIN. Either you or Mr. Thorp testified the other day it was on the President's desk.

Mr. BROWN. No, sir; I do not think he did.

Senator MILLIKIN. What was the testimony?

Mr. BROWN. The testimony was that we expected it to come up within the next several weeks.

The CHAIRMAN. Is Mr. Goss here?

Mr. GOSS. Yes.

The CHAIRMAN. Mr. Goss, are you ready to proceed?

STATEMENT OF ALBERT S. GOSS, MASTER, THE NATIONAL GRANGE

Mr. GOSS. Yes, sir.

The CHAIRMAN. Mr. Goss, you are still the head of the Grange, I believe; are you?

Mr. GOSS. Yes, Senator.

The CHAIRMAN. You are called the master?

Mr. GOSS. Master of the National Grange is the title.

The CHAIRMAN. Master of the National Grange?

Mr. GOSS. Yes, sir.

The CHAIRMAN. We expect other members of the committee to be coming in, but we will proceed for the time has arrived. Do you wish to make a statement here before questioning?

Mr. Goss. I would appreciate the opportunity of giving my statement before questioning.

The CHAIRMAN. Very well, you may proceed.

Mr. Goss. My name is Albert S. Goss. I am master of the National Grange. We do not believe H. R. 1211 will provide the type of tariff system the Nation needs. We would like to see sound tariff legislation far more comprehensive than anything contemplated in this bill, and we fear that enactment of such a measure would merely serve to assure the continuance of an unsound and objectionable situation for another 2 years—a period of readjustment in trade when we will probably need a sound and stable tariff policy more than at any time in recent years. We would much prefer to see the Congress devote its time to the enactment of such legislation and let the present law stand until a sound and effective tariff measure can be passed.

It is doubtful if America has ever had an effective tariff policy. We need one badly. For many years we set up a sort of loose policy designed to protect our domestic producers from unfair competition by tariffs based on the difference in cost of production between home and abroad. Having pronounced this principle, Congress usually proceeded to establish hundreds of tariff rates supposedly to put this principle into effect, and too often the rates failed to conform to the principle. The revision of our tariff laws was the occasion for more lobbying, more pressures by powerful interests, and more logrolling than any other type of legislation ever to come before the Congress. When we got through the finished structure frequently was a patchwork of trades and compromises which could hardly be expected to carry out the policy expressed.

2. The tariff sessions were so dreaded by all concerned that no one ever wanted to open up a single rate for reconsideration, no matter how unjustified the rates might have proved, for fear the trading would start all over again. The result was that we had no real policy, just a schedule of rates which were inflexible, no matter how ill-advised, and could not be modified to meet changing conditions or correct abuses which may have arisen under them.

3. The first step forward was the flexible provision which permitted the President to make adjustments up or down by 50 percent upon recommendation by the Tariff Commission.

4. Then came an entirely new concept. In the Trade Agreement Act of June 12, 1934, we abandoned the thought of protection of our producers from unfair competition, and we abandoned the principles of difference in cost of production, and authorized the President to modify the tariff rates, by as much as 50 percent up or down, whenever he finds "that any existing duties or other import restrictions are unduly restricting the foreign trade of the United States." Nothing was said about protecting producers from unfair competition. Nothing was said about difference in cost of production between home and abroad, except that we accepted the much-condemned Smoot-Hawley rates as a base. This Tariff Act is now 20 years old and decidedly out of date.

5. While we kept the Smoot-Hawley rate base and the "up and down" clause, in practice we abandoned the principle of protection, for all through the years no rates have been modified upward, but hundreds have been lowered to promote trade, sometimes with little

or no regard for the effect on American industries. War demands have minimized the significance of all tariff rates during the past few years, but the time has come when we must examine the basic law to see if it will serve us adequately in normal times.

6. In the Trade Agreement Act we made two basic changes—the abandonment of the principle of protection and surrendering the making of tariff rates to the executive branch of the Government.

7. First, we abandoned the protection policy and adopted a trade-promotion policy. We adopted no rules to go by except to promote trade. We assumed that all trade is beneficial without regard to its effect on our producers.

8. Under such a policy, tremendous abuses may arise. For example, without attempting to discuss rates or specific cases but merely for illustration, let us suppose that we have built up a watch industry which gives employment to scores of thousands of skilled workers at a rate of pay which enables them to maintain a reasonable standard of living. Let us suppose that some nation, badly in need of American dollars, begins to dump millions of watches on our market at far less than our cost, and our factories are forced out of business, whereupon the price of foreign watches goes up. We have promoted trade, but we certainly have not promoted our national welfare.

9. Or turning to the field of agriculture, let us suppose that our American farmers have planted thousands of acres of filberts, because there is apparently a good market at a reasonable price, and that after 7 or 8 years of expensive cultivation they come into bearing and not only begin to yield their owners a reasonable return on their investment, but give employment to thousands of workers at a dollar an hour or more. Labor is the chief item of cost in raising filberts. Then let us assume that some other nation, needing American dollars, begins to export filberts to us at 5 cents or more below our cost, and that this is made possible because producers in the other nation pay their workers only 10 cents an hour, and her workers maintain a standard of living below that of the livestock on many of our farms. Suppose our filbert growers are forced out of business, our orchards are torn out, our workers lose their jobs, and we eat filberts produced by worse than slave labor. We have promoted trade but we have certainly not promoted our national welfare.

10. The point I want to make is that the policy of promoting trade is no tariff policy at all. The Constitution put the tariff-making powers and responsibility squarely upon the Congress, which brings me to the second point of deviation from former practices. In the Trade Agreements Act, Congress failed to live up to the responsibility placed on it by the Constitution and transferred this responsibility to the executive branch of the Government.

11. We are not opposed to changes when they are in the public interest, but we are thoroughly convinced that in an effort to correct the indefensible abuses of the log-rolling method of tariff making, Congress has substituted other evils which may be worse, or may be some improvement. We will not argue that point. We merely say they are not right, and the time is long past due when they should be corrected. The tendency has been to assume that we must have either one or the other of these extreme policies. We maintain there is a much better way.

12. First, let us make clear that we believe the reciprocal trade-agreement method of making tariffs is much superior to the log-rolling method if the former is done on a constitutional and sound basis. However, we believe that the Congress should establish a definite tariff policy, and that the executive department should then develop the trade agreements within the framework of that policy.

13. We propose as a basis for a sound policy:

14. (*a*) That tariffs be confined to those items which are substantially competitive with American production.

15. (*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 domestically 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.

16. (*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 material 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 or exploited labor conditions 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.

(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.)

(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.

(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.)

(6) *Sudden injury to well-established industry.*—It being the purpose to prevent some change in imports which might effect a sudden

serious injury to some industry without adequate opportunity for the owners and employees to make adjustment to 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.

(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.

17. (*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.

18. While such a policy may not be complete or perfect, it at least would be a good point to begin, and the executive branch of the Government would have a workable expression from Congress as to how it should execute the task given to it by the Congress.

19. If we want to be really constructive, we should be studying what we can import into this country which will bring us the most benefit with the least upset to our soundly productive industries, in exchange for the goods we are sending the rest of the world.

20. Quite apart from the question of constitutionality of the present system, which we realize can be technically defended by the questionable assumption that the Smoot-Hawley tariff rates are the expressed policy of the present Congress, we maintain that the present system is unsound economically. Congress is the agency which represents the people. The Members are supposed to know the problems of the people and legislate in their interests. Under present practices the determination of policies vital to the welfare of our domestic interests is left to the discretion of a department of Government principally engaged in promoting foreign relations. Its experts are trained in the diplomacy of foreign relations and do not normally have contact with domestic affairs. The impact of tariff making falls on our domestic economy directly, but no adequate opportunity for domestic analysis and expression is afforded or can be afforded by such a set-up. Congress should not disenfranchise itself in this vital function.

21. In practical operation, we believe it necesary to determine by study and research the factual position of the various commodities concerned before any soundly constructed trade agreement can be made. The facts should be determined by the Tariff Commission and the treaties should be made in the light of those facts within the policies established by the Congress.

22. To assure that the policies are being properly interpreted and properly carried out, we have long contended that trade agreements entered into should not be consummated until the Congress has had an opportunity to review them if it so desires. Actually, we believe that trade agreements are treaties and are unconstitutional unless con-

firmed by the Senate, and we do not believe in ignoring or evading the provisions of the Constitution. If it is held that Congress can delegate those powers, we suggest that a reasonable degree of protection might be attained if the Congress should designate the Tariff Commission as its agent to examine such treaties and determine which of them should be subject to congressional scrutiny. However, the main points we wish to emphasize are that we need a tariff policy, and that the executive department should be required to operate within the framework of such a policy.

The CHAIRMAN. Are there any questions?

Senator MILLIKIN. The present law provides that if the President goes beneath a peril point recommended to him by the Tariff Commission, that he shall make an explanation to the Congress as to why he did it. In other words, it leaves him full power to imperil a domestic industry if he is willing to make an explanation of why he did it.

Arguments are suggested as to why he should have the right to imperil a domestic industry, such as natural resources questions, defense questions, general trade policy questions, relations between this and other countries, and so forth.

Without going into that, would you not say that the very minimum that we can ask the President to do in connection with this almost unbridled delegation of power to him, is that if he does go to that peril point, he should give the Congress an explanation?

Mr. Goss. Yes. We feel, Senator, that that is some measure of protection, but not enough.

Senator MILLIKIN. I agree entirely.

Mr. Goss. We think that Congress really should establish the policy, and even though the present law does give to the Tariff Commission the responsibility of establishing peril points, there are really no basic principles laid down for the Tariff Commission to work under.

Senator MILLIKIN. Yes; I agree with that.

Mr. Goss. We think that Congress has that responsibility of determining what the principles should be.

Senator MILLIKIN. I quite agree with you. But as you so well know, legislation is a very practical matter. It comes down to the fall of the votes, and under the complex of the Congress last year and this year, we figured that the best we could do would be to get that small measure of focused interest and protection of our domestic producers, and yet the bill that is before us would take that away, and the President is in hearty accord with the present bill, is urging its adoption by the Congress, which is to say that he wants the privilege of going below a peril point without giving any explanation, which is another way of saying that the protection, the safeguarding of the domestic industry is not the prime feature in the President's mind or in the State Department's mind.

Mr. Goss. You have seen, Senator Millikin, that we have pointed out what we think ought to be done. We know that legislation is a matter of compromise; about all we can say is that we should come to as close to what we thing ought to be done as may be, but we do feel that Congress should bear the responsibility of establishing the tariff policies.

Senator MILLIKIN. I agree entirely with you. Did you see anything in the present bill which is proposed to supplant the act of 1948, which will protect the principles which you have expounded here?

Mr. GOSS. No. We opposed originally the reciprocal trade agreements because they did not contemplate that protection. We came to believe that the reciprocal trade method was the wise method of overcoming the logrolling that I have referred to in my testimony, but we do think that any agency empowered with the responsibility of consummating a reciprocal trade agreement should have direct marching orders from Congress, and not just a wide-open program of promoting trade, because the promotion of trade, as I have tried to point out in my testimony, is not always good. There are good trades, and there is bad trade.

Senator MILLIKIN. The witness and the junior Senator from Colorado are in complete accord with that. You see, President Truman, and President Roosevelt before him, and the State Department, in connection with various renewals of reciprocal trade agreements, stated in most unequivocal language that no domestic industry would be injured. All right. Now, that is not written in the law as a controlling principle. It was insurance from the executive department of the Government. But there is a lot of double talk in that, obviously, because when we put upon the executive department the slight duty of making an explanation if a peril point is exceeded, that is intolerable and they come in here with a law to do away with it.

In other words, there is no policy in this present administration to secure the domestic producers against injury. I am afraid, Mr. Goss, that when the law finally comes out of Congress that there will not be much assurance of that kind.

Mr. GOSS. We feel very strongly that the time has come when Congress should establish what policy is to be pursued in the execution of these treaties, and then set up the machinery to see that the policies are followed out. That is all we are asking for. We do think that the reciprocal-trade method is superior to the old logrolling method, but we think the responsibility lies right here.

Senator MILLIKIN. There are some comments which you have made that bear on the subject of safeguarding a desirable new industry. I suggest there is a fallacy that we have finished with new industries in this country. I suggest that technological advance multiplies new industries which might be established in this country, if they had a fair chance to get established. If there were some competent body to determine whether or not a given new industry shall receive tariff protection during the time of its growth to a point where it can take care of itself, would you oppose a policy of that kind?

Mr. GOSS. No, I think we would not. I do not think that is specifically covered in my testimony. Of course the danger that we have run into, we have protected infant industries, and we never took off their diapers.

Senator MILLIKIN. I recognize that difficulty, and I am not arguing any noncompetition or monopoly doctrines here. But I saw something in your statement that indicated that you wanted established industry protected. It occurred to me that there might also be a need for protecting the new infant industry which, if protected, might get to be great business in this country.

Mr. Goss. Beginning with paragraph 14 on page 4, we have laid out principles which I believe would encompass the protection of a new industry, although generally speaking, Senator, we have felt that if basically a commodity could be produced more cheaply in another nation, the welfare of America, and all of the rest of the world would be advanced if we would promote trade, so that we would consume the things which could be produced to the best advantage. When I say produced more cheaply in another nation, we recognize the necessity of protection against unsoundly low costs induced by low living standards or labor conditions, such as slavery, or other artificial means. If on the other hand a nation can by natural advantages produce more cheaply than we, we ought to develop our trade so that they and we can both benefit from it.

Our classic example is bananas. We can raise bananas in Florida. I do not know what they would cost, maybe a dollar a pound, but it would be nonsense to protect a Florida banana grower because Guatemala can raise bananas so much more cheaply than we can.

Senator MILLIKIN. In our State, and in a dozen or 15 other Western States, we are primarily producers of raw materials. Offhand, I do not think of a single one, I cannot think of a single one of those raw materials that could not be produced cheaper in some foreign country, and without the limitations which you have placed on your own statement of the doctrine, you would wipe out those States.

For example, sugar; it can be produced infinitely cheaper in other places than it can in our country. Oil is another one. Most of our minerals are others. Livestock is another. Agricultural products, butter, and others. There is hardly a thing we produce in all of those Western States that cannot be produced cheaper some place else. So if we simply fell back on the doctrine that if you can produce them cheaper elsewhere, we should close down the business here, we would be in a mighty bad way.

Mr. Goss. On the other hand, we recognize that we have to import stuff of some kind if we are going to export.

Senator MILLIKIN. I have no objection to that.

Mr. Goss. And we have also asked that a study be made. In speaking of the western products, and illustrating the principle we are trying to make plain, I might cite the case of filberts. A few years ago there was quite an expansion of filberts on the west coast, and there was apparently a good market, but today Italy and some of the southern European nations want dollars very badly, and they are bringing in filberts at below our cost, while under normal conditions we can raise filberts here just as well as they can over there. But we cannot compete with 10 cents an hour in picking up filberts. Neither can we compete with some special deals which are made in order to get hold of dollars in times like these. That is the type of protection we think we ought to have.

The CHAIRMAN. Any questions, Senator Lucas?

Senator LUCAS. I would like to ask Mr. Goss just one question with respect to paragraph (b) on page 4. You say the tariffs be confined to those items which are substantially competitive with American products.

(b) That the basis of rate making should be, first, the difference in cost of production between home and abroad, confined to items which can be produced on an economically sound basis.

Mr. Goss. I asked that the word "domestically" be inserted after the word "produced," Senator Lucas.

Senator MILLIKIN. Where is that in your statement?

Mr. Goss. Page 4, paragraph 15, line 2.

Senator LUCAS. Do you have any statistics which show what the Tariff Commission have done in the past with respect to trying to ascertain the difference in cost of production between home and abroad, upon various commodities in which they were dealing?

Mr. Goss. I have no statistics on that. I know that it is not an easy matter, nor is the answer as definite as saying that 3 from 7 leaves 4.

Senator LUCAS. I concur in that conclusion of yours, because I understand, for instance, from 1922 to 1930, the Tariff Commission operating almost continuously with investigations were only able to investigate between 60 and 70 different commodities that were involved in trade at that time, and it would seem to me that where you are dealing with thousands of items which, as I understand it, the Tariff Commission does, or those who are functioning under the trade-agreement program are compelled to do, it would take a tremendous staff in the Tariff Commission to deal with that problem adequately, and in the way that you suggest here, and in a way which has been encouraged or maintained by those who believe in this theory.

If you want to do the job correctly, and do it right, and try to find the real difference in the cost of the production between home and abroad upon all of the items of trade upon nations, you would have to have a tremendous staff, which the Congress has never seen fit to give the Tariff Commission, even in the days when the Tariff Commission had the power that you want them to have now.

Mr. Goss. I realize it is impossible to get an exact statement of cost of production either at home or abroad.

Senator LUCAS. Yes, and that is the point, exactly.

Mr. Goss. The point I want to make, Senator, is this: There is a guiding principle which should be followed as nearly as reasonably can be followed. In 1922 and following years there was considerable criticism of the Tariff Commission, that they tried to get down with such complete exactness to an answer which could not be resolved to complete exactness, that they spent a lot of unnecessary time and effort in doing it.

Senator LUCAS. Yes; but they were charged with the responsibility by the Congress of the United States to do that very thing that you are suggesting they do here, and having placed that charge upon them, they had a right to do just exactly what you are complaining about they should not have done otherwise. They would stand before the country with a critical eye, if they went wrong with the decision. Therefore, they did take that unusual, and that lengthy time in their investigations to try to determine as near exactly as possible that cost of production at home and that cost of production abroad, which is almost impossible, as you say to do.

Mr. Goss. With exactness.

Senator LUCAS. That is right.

Mr. Goss. I think that in any legislation that the Congress may see fit to pass that there should be some qualifying phrase that would not require them to run down such cost to the last cent. But on the other hand, Senator, if we are to have any protective policy at all,

it must be based on some principle, and not just the principle of wide open, make the best trade you can, and we feel that those principles in practical operative terms should be laid out by the Congress. We feel that the Tariff Commission would probably be the agency to determine the facts as near as may be, and that the administrative agency which was charged with the responsibility of carrying out these treaties would then have a guide to go by, a guide which expressed the will of the Congress. That seems to us now to be completely lacking. All the guide we have is the Smoot-Hawley tariff law, which nobody defends at this time, 20 years later.

Senator LUCAS. I am not so sure about that.

Mr. Goss. I don't know. Maybe nobody is a little extreme, but the Smoot-Hawley tariff law evidently, if we are to provide a base, ought to be amended in the light of what has happened in the last 20 years, and yet we take that as a base. That is all of the base we have to operate on, and the only other base is then to promote trade. Under the present law, we have some further protection in the peril points, but not the type of protection that we feel Congress should enact as a sound tariff policy.

Senator LUCAS. You think the farmer has been injured under this reciprocal trade agreement?

Mr. Goss. Yes, in some spots, I think.

Senator LUCAS. Will you give us those spots in order that we may have them in the record?

Mr. Goss. I could not give you a whole list of them. I just cited one, filberts.

Senator LUCAS. That was a hypothetical case, was it not?

Mr. Goss. Filberts are actually in trouble because of imports, and they now have under consideration cutting the tariffs still further on filberts. I might get up a list of cases.

Senator LUCAS. I have listened to testimony here for a good many years on this program, and everybody comes in with always the fear of what is going to happen, and that is perfectly proper, but they should do some speculation along that line, and any law that we pass, but when you get down to actual bases, there are very few cases that I have ever found that any witness brought before this committee to show that the American industry has been seriously injured as a result of the reciprocal trade program that has been carried on for the last 12 or 14 years.

Mr. Goss. I think we could present some cases for the record.

Senator LUCAS. I would like to see that done some time, instead of just a general over-all statement of theories and policies without sufficient facts or cases to back them up.

Mr. Goss. I would not attempt to prepare a comprehensive list.

Senator LUCAS. You could not do it.

Mr. Goss. I do not think that it would be possible to go through everything. We do not have a staff big enough to do it, but I would be glad to submit a list of a few where complaints have reached us, and where our studies convince us that they have been hurt.

Senator LUCAS. That is not the first time you have been hurt, either, under the previous tariff provisions, is it?

Mr. Goss. I did not get that question.

Senator LUCAS. I say this is not the first tariff law that has injured you, if you have been injured, is it?

Mr. Goss. Oh, no. I started out before you came in here and said it is doubtful if America has ever had a good tariff policy. What we are trying to do is to bring to this committee, express to this committee, our hope or wish that we would tackle this thing basically and develop a tariff policy. I do not think we have ever had a good one, and we think it is time particularly in this period of readjustment, that businessmen have something they could plan on, a definite policy that we could work to.

Senator MILLIKIN. Mr. Goss, would you say that the period of depression, the period of the war, and the period of scarcity following the war, give a fair test to our reciprocal trade systems as it has evolved in practice?

Mr. Goss. No, I hardly think it would, Senator. Ever since the Reciprocal Trade Act was passed, we have either been in a depression, or under war conditions, because our depression was not relieved until Europe got into war, and while we had a year or so before we got in, times were not normal. We really have not had a test of it.

Senator MILLIKIN. You envision the function of Congress to hold post mortems after injury has developed, or to adopt a policy with some reasonable foresight in it that will prevent the injury?

Mr. Goss. Well, of course we favor the latter.

Senator MILLIKIN. Of course. If you have a standard which does not take into account cost of production, if you have a standard which disregards peril points, is it not inevitable that when the world resumes some semblance to normality, you will have a lot of trouble in world trade?

Mr. Goss. We think so. I realize the difficult situation that the Congress is in. I realize the issue is somewhat different than the question that I have presented to you, Senator. The issue is to repeal a bill which was passed last year, and we think the real issue is far greater than that. We think the issue is to establish a sound tariff policy which will serve this Nation in normal times, in times of peace, so we and the other nations of the world will know where we are headed; under such a policy I think we would all have greater confidence in what could be done in a business way, what could be done in trade. I believe it would promote trade. It might be lower tariffs than we have now. We are not trying to say they should be higher or lower, but we do think we should have a definite policy so we know where we are going.

The CHAIRMAN. Any questions, Senator Martin or Senator Williams?

Senator MARTIN. No.

Senator WILLIAMS. No.

The CHAIRMAN. Thank you very much.

Senator MILLIKIN. May we have the attention of Mr. Brown.

Mr. Brown, a while ago you were asked whether ITO is on the President's desk, and I believe I said that there had been testimony to the effect that it was on his desk. Your answer, as I recall it, was that there had been no such testimony.

The exact testimony will be found on page 75 of these hearings, volume 1 of the transcript:

Now, Mr. Thorp, in your statement to the House, you said that ITO would be over here soon. When will it be here?

Mr. THORP. Well, it is in the President's hands. I understand it will come over within several weeks.
Senator MILLIKIN. Within several weeks?
Mr. THORP. Yes, sir.
Senator MILLIKIN. There are no "if's," "but's," or "maybe's" about that?
Mr. THORP. Well, I am not in a position to make any promises with respect to it. All I can say is that that is my understanding.
Senator MILLIKIN. The State Department expects they will be over here in a couple of weeks?
Mr. THORP. Yes, sir.

I agree now that it was not on the President's desk, but perhaps it is even closer to action. It is in his hands.

Mr. BROWN. I think your recollection is better than mine.

The CHAIRMAN. Mr. Russell Smith. Is Mr. Smith here? He has not come in.

Mr. Carnow, we will take you now, having reached you in order.

STATEMENT OF ABRAHAM CARNOW, PRESIDENT, AMERICAN WATCH ASSEMBLERS ASSOCIATION, NEW YORK, N. Y.

Mr. CARNOW. My name is Abraham Carnow.

The CHAIRMAN. Whom are you representing?

Mr. CARNOW. President of the American Watch Assemblers Association, New York. I am also treasurer of the Bulova Watch Co.

The CHAIRMAN. You may proceed with your statement.

Mr. CARNOW. This presentation is made on behalf of the American Watch Assemblers' Association, Inc., whose members are engaged in the assembling of watches in this country with the use of imported watch movements. This industry consists of approximately 140 American firms, owned by Americans, using American capital, employing American labor, and must be considered an American industry using imported materials as a small part of the total value of its finished products. Jeweled watch movements are imported from Switzerland and after importation they are timed, adjusted, and cased in American-made watch cases, fitted with American braclets or wrist bands, and enclosed in attractive American gift boxes. The finished watches are sold through 25,000 jewelry stores, department stores, and other retail outlets. Complete watches are also imported but as compared with the importation of watch movements, which, as stated, are cased in this country, the imports of watches as such have been negligible.

According to a preliminary report of a survey made by Dun & Bradstreet, Inc., during 1948, the watch assembling industry employed over 3,900 persons in connection with its operations and paid a total of $14,679,000 in wages and salaries. A large percentage of these employees are skilled watchmakers, who form part of the country's reserve of skilled workers. In addition, we utilize the production of an indeterminable number of employees in the watch case, watch band, and box manufacturing industries.

In 1947, according to this preliminary report of Dun & Bradstreet, Inc., the American watch assembling industry expended a grand total of $115,041,000, of which amount $48,607,000 represented the cost of imported material; pay roll, $14,679,000; duty, $16,933,000; cases, $24,566,000; wrist bands $4,563,000; boxes, $4,096,000; and miscella-

neous, $1,597,000. At retail price levels, the total value of this product was $322,619,000. Excise taxes paid on the sale of the assembled watches at retail amounted to $35,485,000.

Senator MILLIKIN. Are those the boxes in which you put the watch?

Mr. CARNOW. The outside boxes, yes.

The imported materials represented only about 15 percent of the total consumer expenditures for the industry products. However, there was paid to the United States Government in duties and excise taxes a total of $52,418,000.

Thus, it is obvious that the American watch assembling industry is a substantial one and necessarily plays an important part in our domestic economy.

The American Watch Assemblers' Association has heretofore and does now support the reciprocal trade agreements program.

This association has heretofore voiced its approval of the reciprocal trade agreements program and expressed its views whenever the question of extension of such program for a further period was under consideration by the Congress. It also endorsed the proposal of the International Trade Organization because it believes that such organization would constitute a valuable means of implementing the trade policies that have been expressed by officials of this Government.

In 1945 our former Secretary of State, Hon. James F. Byrnes, stated in a speech at Charleston, S. C.:

> Trade between countries is one of the greatest forces leading to the fuller use of these tremendously expanded productive powers. But the world will lose this opportunity to improve the lot of her peoples if their countries do not learn to trade as neighbors and friends. If we are going to have a real people's peace, world trade cannot be throttled by burdensome restrictions.

With this statement of our former Secretary of State we are in entire accord and, therefore, we urge that the reciprocal trade argreements program, without burdensome restrictions, be extended as proposed in H. R. 1211. This memorandum is primarily intended to express the hearty endorsement of this association of said bill.

The importation of Swiss watches and watch movements has not caused injury to the domestic watch manufacturers.

For many years, representatives of the domestic watch industry, and particularly the head of the American Watch Workers Union, have appeared in Washington, suggesting that the importation of Swiss watches and watch movements be restricted by the establishment of a quota, alleging that the importations were injurious to their industry. This association has always contended that the facts as presented by the domestic watch industry were not correct inasmuch as there was a sufficient consumer demand for watches in the United States to justify the amount of watches and watch movements imported. Now it seems that they have realized the weakness of their arguments and have acknowledged the correctness of the statements that we have consistently made before the various agencies of the United States Government with respect to the restriction of imported watches and watch movements by means of a quota.

Now they are suggesting that the duties applicable to watches and watch movements be reviewed for the purpose of determining whether they should be increased, claiming that the present schedule of duties is responsible for the financial difficulties of the Waltham Watch Co.

The chief contention that a quota is necessary having been eliminated, the domestic manufacturers are presenting the argument that there should be "equality at the border," contending that there is a price differential of $4.40.

It is our contention that the difference in costs of production of a domestic watch and a Swiss watch is substantially covered by the rate of duty presently assessed. We wish to call to the attention of the committee the fact that the watches and watch movements that are being brought into the United States from Switzerland are for the purpose of satisfying an existent consumer demand. Therefore, any increase in duty on such imports would not in any way enable the domestic manufacturers to increase their own production but would only result in an increased cost of the product to the ultimate consumer.

Many times we have produced evidence to show that the trade agreement with Switzerland (put into effect in 1936) has not adversely affected the domestic watch manufacturing companies which have been unfavorable to the trade agreement program, and which have contended that the growth of their business was seriously interfered with by imports of watches and watch movements from Switzerland.

In a Summary of Tariff Information (released by the Tariff Commission on January 19, 1949), table 12 represents total consumption of watches for various periods from 1931 to 1947, together with the total number of jeweled-lever watches of quality produced during each year by the domestic companies, and also imports. From this table, it is a matter of simple arithmetic to arrive at the total domestic production, total imports, and total consumption of jeweled-lever watches of quality, and we find the following.

Senator MILLIKIN. What is a lever watch?

Mr. CARNOW. The lever watch is usually the one that is considered of the higher quality, a lever escapement. This particular type of escapement in the movement, as differentiated from what is know in the trade as a pin lever, or generally compared with the Ingersoll type of a cheap movement.

During the period 1931 through 1935, which is the period prior to the effective date of the reciprocal trade agreement negotiated with Switzerland, the average domestic production of jeweled watches was 900,000 units and the average total imports of jeweled watches was 800,000, or a total of 1,700,000 units, which was the average amount of this type of watch consumed in the United States during this period. Consequently the domestic production represented 53 percent and imports 47 percent of the total consumption of this type of watch.

During the period 1936 through 1941, which was subsequent to the effective date of the reciprocal trade agreement with Switzerland and just prior to the war, the average domestic production totaled 2,000,000 units of jeweled-lever watches of quality, and the average total imports of jeweled-lever watches of quality was 3,100,000. Therefore, the average total consumption was 5,100,000 units. This means that the domestic production accounted for 39 percent, and the imports for 61 percent of the total consumption.

When we compare these two periods with the last year for which figures are available, that is, 1947, we find as follows: The total domestic production of jeweled-lever watches of quality was 2,200,000 units

and the total imports of jeweled-lever watches of quality 7,800,000 units to take care of a total consumption of 10,000,000 units. This indicates that the domestic production accounted for only 22 percent of the total consumption and that the imports accounted for 78 percent of the total consumption. While it appears from these figures that the domestic production has accounted for a lower ratio of the total consumption, we must not lose sight of the fact that the domestic production is practically up to its maximum, the table showing that the highest total ever produced was 2,500,000 units in 1941. Therefore, the only reason the imports kept increasing is because the demand for this type of quality watch kept increasing by leaps and bounds and it was impossible for the domestic companies to increase their own production to keep pace with the increase in consumption.

It is an accepted fact in the trade that the production of the domestic companies can find a ready market with the American consumer and that imports came into this country only in sufficient quantity to supply the excess consumer demand. As has been pointed out previously in this memorandum, Mr. Cenerazzo has for several years contended that a quota should be imposed on Swiss watches and movements in an amount equal to the domestic production, or a maximum of 3,000,000 watches. Had this proposal been adopted, it is obvious that we would in effect be creating a monopoly for the domestic companies and that the prices to consumers of watches would have increased beyond reason, as was the case in connection with a number of other articles in this country where the consumer demand greatly exceeded the available production.

We also wish to call attention to the fact that these watches and movements from Switzerland are imported by approximately 140 importers, of which 4 are large companies and 136 represent smaller companies. These companies imported movements because they felt that there was a consumer demand which they could supply, and to adopt any proposal of a quota system would inevitably result in the elimination of a large number of the smaller companies producing watches containing imported movements in the United States. In addition, it would also have a serious effect on the domestic manufacturers of cases and bracelets—which are component parts of watches—and gift boxes, the sale of all of which products would necessarily be substantially reduced by any reduction in imports below the consumer demand.

It has been suggested by the representatives of the domestic watch industry that a restriction on imports would enable the domestic companies to increase their production so that there would be no loss of business by the numerous manufacturers of cases, bracelets, and boxes. However, the fact is that we do not believe it is possible in the foreseeable future for the domestic watch industry to expand its production facilities to a point sufficient to take care of the consumer demand in this country, and to the extent that this demand is unsatisfied, there consequently will be a loss of business to these manufacturers of cases, bracelets, and boxes.

Senator LUCAS. Why is it that they cannot do this?

Mr. CARNOW. Well, the time it takes to develop additional production machinery, the fact is that in all of the years as we look back, the Elgin Watch Co., who have always had a very fine acceptance in

the retail trade, they have only increased their production very little in the last number of years. At the present time, they are trying to expand their production by an additional 20 percent, from what I hear.

Senator LUCAS. You say we do not believe it is possible in the foreseeable future for the domestic watch industry to expand its production facilities to a point sufficient to take care of the consumer demand in this country, and to the extent the demand is unsatisfied, there consequently will be a loss of business to these manufacturers of cases, bracelets, and boxes.

Has the reciprocal-trade program anything to do with the failure of these domestic companies to expand?

Mr. CARNOW. No, sir. It is probably based on their own decisions as to how much they want to place additional investments in their business for additional equipment in expansion, considering that over a period of years the normal business cycles may be up at one period and down in another, and perhaps it is good business not to try to expand to a point where you may not be able to sell your full production.

My estimate is that the maximum production for 1949 will only be three and a half million watches, and that will include in excess of a million watches produced by the Bulova Watch Co.

Senator LUCAS. Is it your theory or philosophy that so long as the American industry is producing at or slightly above the level prevailing when the trade agreement was entered into, it was not hurt, no matter how much the economy of the country and the total market for its goods may have expanded?

Mr. CARNOW. It is not hurt if they can keep expanding their production in small stages, and sell it at a profit.

Senator LUCAS. Do you believe that the local industries should remain static and the foreign competitors obtain the benefit of all of the expansion in the market?

Mr. CARNOW. That depends. The decision to be made by each local manufacturer. The Bulova Watch Co. decided back in 1929 that they would like to build a plant in this country and produce in this country, and we gradually increased our production from year to year, built our machinery, trained our help. Today we are, I think, running a pretty close section to the Elgin Watch Co. in domestic production. It was our company policy to take part of our funds and invest in a domestic company. Whether the company, depending upon conditions, will continue to expand, I do not know. Elgin must have considered the time ripe to expand. Hamilton must have considered the time and conditions ripe when their report of December 1947 states they decided, after a thorough investigation of the market, that the extra space that remained available to them from the building they put up during the war, would be equipped with machinery to produce the same high quality watch that they produced prewar, and they spent $400,000 in equipping this additional space, hired engineers to make studies for production and quality control, and they are going ahead with confidence in the future.

Elgin did it when they expanded into Aurora, and into Lincoln. Bulova is doing it. At the moment we are planning on putting up a larger building than we now have.

Gruen Watch Co. is anticipating or planning to spend from three to five million dollars to expand in this country. I think between the board of directors of these various companies the combined judgment would lead me to believe that they are fairly confident of what the future is of the watch business in the United States. Certainly Mr. Katz' board of directors would not plan on spending that amount of money if they did not have confidence. Neither would Elgin.

Senator LUCAS. The Bulova people have no fear of foreign competition under the present trade agreements?

Mr. CARNOW. No, sir. We feel that we are in an expanding market. Our chief problem today is competition for the consumer dollar, not against competition, against Elgin or Longine or any of the other better known companies.

Senator LUCAS. Do you sell anything besides watches?

Mr. CARNOW. No, sir.

Senator LUCAS. Just watches.

Mr. CARNOW. That is all.

Senator LUCAS. Thank you.

Senator MARTIN. May I ask a question here?

The CHAIRMAN. Yes.

Senator MARTIN. Is not one of the difficulties in expanding our domestic watch companies the question of skilled labor?

Mr. CARNOW. In a sense, yes.

Senator MARTIN. How long an apprenticeship does it take to make a skilled worker in the watch-movement work?

Mr. CARNOW. I would like to call this point to your attention, Senator. Today under modern American production methods you do not require a skilled artisan, or a completely skilled watchmaker, to produce a watch. The average watch, I would judge, has about 110 parts to it. The production of those 110 parts break down to somewhere around 1,000 or 1,100 different operations. With modern methods of aptitude testing, we can train help to do certain operations along our production line in from a period of 1 week to a month.

Senator MARTIN. How long does it take, for example, to train the men that work under a glass where they use pliers or some other instrument to pick up things that you cannot see by the naked eye?

Mr. CARNOW. As I say, with modern ways of testing these people before you hire them, you can find out very quickly.

Senator MARTIN. I am asking the question, if you know, how long does it take to train one of these men?

Mr. CARNOW. It depends upon what operation he is performing. I would say anywhere from a week to a month or 2 months.

Senator MARTIN. Not for the watchmaking part of it.

Mr. CARNOW. You see, there is a difference. When you talk watchmaking, as I just mentioned——

Senator MARTIN. I mean the works. I do not know the technical side of it.

Mr. CARNOW. Let me explain this. We have the Bulova School of Watchmaking where we train GI's who have been disabled. Only GI's are accepted there. There are other fine schools. Elgin has one, Hamilton has one, Gruen had one. There have been many other privately operated schools around the country. We will take a GI who has never seen the inside of a watch, except perhaps if he fooled around

with his own and opened it up, and we will make a good watchmaker out of him within a year. Our tests that we give to these boys, well, we made a good watchmaker of a boy who has one arm, used a hook for the other. The boy is now being used by the Veterans' Administration for morale purposes.

Senator MARTIN. I do not pretend to know anything about watchmaking, but I have attended meetings of the 25-year men, for example, of the Hamilton Watch Co., and from what I can learn from talking to the men themselves, it takes several years to become a proficient watchmaker, because so much of it has to be done under glass. You take a man like myself, I could not use the instrument at all. I could not see the thing even under the glass. I have tried it.

Mr. CARNOW. In other words, in our own organization, we have men who have spent a lifetime in the watch field, and they are what could be considered all-around fine watchmakers, and they will tell you it takes 10 or 15 years for them to receive their training.

Senator MARTIN. Is it not true, that it does take that time? I am interested primarily that we may have these fine watchmakers to go into our precision-instrument factories during times of war, because that is about the only reservoir we have for that kind of men. Does it not take several years to make one of those?

Mr. CARNOW. Senator, if we wanted one man to know every operation of making a watch, then I will say it will take several years, but I think as far as developing a pool of people who are trained to work on precision instruments, or use tweezers or work with small parts, I think our method of production develops a bigger pool than the old system, because whereas if we trained one man to do 10 operations, and 15 operations out of the thousand, which go into making the watch, if we go ahead and split those 15 operations into 15 different individuals, each one performing an operation, each one being accustomed to handle that small screw driver and a pair of tweezers, each one that handles the small parts, you have a potential supply of 15 people that you could use at some time in the future, if necessary, against the one all-around full-time watchmaker as we knew him 15 or 25 years ago.

Senator MARTIN. That might be better from a purely commerical standpoint, but I am speaking now about these men that can go into the making of precision instruments, where you get into battle. It may mean the premature explosion of a shell or something of that kind. It may mean the defeat or victory in battle.

Mr. CARNOW. Senator, I can only answer that with the experience we had in our Philadelphia plant where we produced fuses, produced some of the most technical fuses from time fuses to rocket fuses to a proximity fuse, and there we opened the plant up and all we needed was an engineer and two master mechanics who laid out the production line. Within 3 to 4 months we had three or four hundred people working there. None of those people ever performed any special or had any special skill in that connection, except the men in the tool room. But so far as our machine operations were concerned, there was no severe problem to take a girl and show here how to operate a machine. The machines were automatic. It was more a question of engineering in laying out the assembly line with each girl applying one piece on another, so that you did not have to spend months to teach

the complete operation. That is what I mean by modern engineering, whereby the operations are spread out so that it is simple enough to teach the one man or woman, one simple operation, and as I stated, when I appeared before the House Committee on Ways and Means, we took a contract in June of 1942. We were just able to get the machines and by December 1942 we were producing fuses.

Senator LUCAS. That might be all right for mass production. I will not belabor it further. I think it is established that it does take probably not only months, but several years to produce what we call an efficient watchmaker that could be used in the precision-instrument factories.

Senator WILLIAMS. I would like to ask this: Do you import your parts that you use in the watches?

Mr. CARNOW. No, sir. The watches we make in the United States are made completely, every part is made here, just as much as Elgin, Hamilton, and Waltham do.

The CHAIRMAN. You may proceed.

Mr. CARNOW. The present financial situation of the Waltham Co. was not caused by imports of watches and watch movements from Switzerland.

The Waltham Co. has been in financial difficulties before, but its unfortunate situation at this time proves most opportune for those who oppose the trade-agreements program, and particularly the importation of watches and watch movements from Switzerland, because already it has been asserted that Waltham's financial condition is due to the fact that it cannot successfully compete with importations from Switzerland. This is far from being the truth.

In 1946, Mr. Cenerazzo stated at a hearing held by the Ways and Means Committee, that Waltham Watch Co. at the end of 1946 had over 47,000 watches cased that they could not sell because they were 14-carat men's gold watches and there was no market for them. This would seem to evidence poor planning on the part of that company as obviously these watches were not what the buying public desired.

According to an article that appeared in the News Tribune of Waltham, Mass., April 23, 1948, Mr. Cenerazzo stated:

> It believes—

referring to the union—

> the sales department of Waltham should be made an alert, go-getting organization which can sell an increased volume of watches * * *.

At a stockholders' meeting in 1948 the new president, Paul P. Johnson, stated:

> Waltham has a selling and engineering job to do, and it will be necessary for the company to make big improvements to restore its products to public favor.

We quote the following from an editorial comment in Forbes Magazine of Business, February 1, 1949, under the heading "Lessons from the Waltham wreck":

> * * * Many men thoroughly familiar with Waltham say management over a period of years is at fault to a great extent. * * * Waltham failed to provide funds to keep its machinery up to date. After the war, when other American watchmakers had the benefit of the best tools and production equipment, they were able to run circles around Waltham costs. The latter tried to make decades-old tools compete with new. * * * According to some Waltham executives, the

union refused to help in cost-cutting when the going was rough. They claim it did not cooperate at making changes in production that might have eliminated some jobs but aided in cutting costs. * * * Waltham, according to dealers, frequently shipped watches that had to be returned. Apparently the company failed to check adequately on every item. They ignored style changes. They gave advertising the "once over lightly." * * * It's not necessarily a disgrace to go broke; oftentimes there are "forces beyond control." But when bowing out, it can be done constructively. Waltham gave a weak, superficial reason—"the competition of Swiss watches." Other American watch companies are meeting that competition successfully. Waltham men could have faced the music in a way that would help others, by stating frankly some of the real reasons for failure.

It is obvious from the foregoing that the financial difficulties encountered by the Waltham Watch Co. are not due to the importation of watches and watch movements from Switzerland. As further evidence of this, the prosperous condition of Hamilton and Elgin may be referred to.

The Wall Street Journal of December 20, 1948, contained this statement:

The Hamilton Watch Co. has operated its plant in Lancaster, Pa., at maximum levels all year in meeting consumer demand and filling pipe lines. At the same time sales have followed closely the production pattern.

When final results are tabulated it is estimated that Hamilton may show a volume of around $19,500,000. This would be the highest level in company's history and would compare with $15,595,723 in 1947 * * *.

The Jewelers' News Letter, November 17, 1948, contained the following statement with respect to Elgin:

Elgin National Watch reports net of $926,339, or $1.15 per share, for the 10 months ending October 9, compared with $518,335, or 65 cents per share, during the corresponding period of 1947.

The National Jeweler, December 1948, made this statement:

One person out of every five watch owners has an Elgin, and one out of four would buy an Elgin if he were buying a new watch, according to a national survey of consumer watch preferences made recently for Elgin National Watch Co. by an independent research agency.

Said to indicate that Elgin leads all other makes by a wide margin, the poll was conducted by means of a blind advertisement in the Saturday Evening Post. More than 65,000 persons from all over the United States replied to the survey, Elgin states. Asking the make of watch owned and its age, the brand preferred if buying a new watch and why, and what watch improvements the reader knew of, the survey shows that Elgin leads by an even greater percentage than in the previous survey made in 1947, the company says.

It was stated in the Jeweler's Outlook of December 1, 1948:

Elgin National's daily watch output is running at the prewar pace of 6,000 per day for some 100 styles, according to a recent report.

American watch assembling industry contributed to the war effort and is just as vital a part of the over-all defense picture as the domestic watch manufacturing companies.

It has been repeatedly stressed by representatives of these domestic companies that they constitute a valuable industry in time of war and consequently must be preserved; and that the most important factor in this preservation now embodies the adjustment of duties on imports of watches and watch movements from Switzerland. This is a new argument.

As we have stated before, when the proposed trade agreement with Switzerland was under consideration, the American jeweled watch

manufacturers, stated to be composed of Elgin, Waltham, and Hamilton watch companies, urged that they were a vital industry in time of war, and that removal of adequate tariff protection would destroy within 24 months the organization they had built up, and thereby place the United States in a position of depending upon an isolated foreign nation for essential war material and skilled artisans. The trade agreement with Switzerland was negotiated and put into effect in 1936, and duties were substantially reduced on watch movements and parts. The dire prediction did not materialize. As a matter of fact, these companies had a substantial increase in sales from 1935 to 1941.

It may be pointed out that the watch assembling industry also constitutes a vital industry in time of war. Members of this industry also participated in war work during World War II. Benrus, Bulova, Gruen, and Longines made vital instruments necessary to the war effort. Their production consisted of many items that required the highest type of precision work. In addition, there were some assembly operations. The list shown includes the most important of the items produced by the members of this association, and so excellent was the work performed that several of these companies were awarded the Army and Navy E. This production also reached a substantial quantity of units and the over-all value amounted to $70,614,825.

Fuzes, concrete piercing, time, rocket, etc.
Telescopes.
Firing pins.
Pinions.
Watches.
Rate of climb instruments.
Altimeters.
Navigation hack watches.
Eight-day aviation clocks.
Ammeters.
Conoscopes.
Jewel bearings.
Machinery for making jewel bearings.
Castings and bronze parts for torpedoes.
Precision parts for aviation instruments.
Ship chronometers.
Photo-timers.
Compasses.
Turn and bank indicators.
Precision meters.
Rotors.
Rifle sight parts.
Numerous other small but important parts that required precision operations.

It is obvious from the above that the members of the American Watch Assemblers' Association represent just as vital a part of the over-all defense picture of this country as the domestic companies and, therefore, that they should be considered a part of, and not a separate entity, when consideration is given to the watch industry as a segment of our national defense picture. Consequently, any action taken that would be injurious to the American Watch Assemblers'

Association must necessarily affect a part of the watch industry national defense program. As a matter of fact several of our members at this particular time are negotiating contracts with the armed services.

In the trade agreement negotiated with Switzerland, which became effective in 1936, many advantages were obtained both for agricultural and nonagricultural products.

The trade between the United States and Switzerland (1938 to the first 9 months of 1948, inclusive) is stated below:

	Imports from United States	Swiss exports to United States		Imports from United States	Swiss exports to United States
	Francs	*Francs*		*Francs*	*Francs*
1938	125,300,000	90,700,000	1944	21,200,000	140,800,000
1939	132,700,000	129,700,000	1945	135,800,000	385,300,000
1940	199,200,000	139,900,000	1946	547,800,000	453,300,000
1941	151,300,000	108,000,000	1947	1,026,842,000	394,750,000
1942	235,300,000	102,200,000	1948 [1]	747,400,000	314,900,000
1943	56,400,000	152,800,000			

[1] First 9 months.

There will probably be a similar amount for this year. That is about 394,000,000 francs from the Swiss to the United States.

The more important classes of commodities, and the values thereof in Swiss francs, exported by the United States to Switzerland are shown in the table below, reported by the Swiss Government for the year 1947.

We were able to obtain a copy of the schedule issued by the Department of Commerce, and the figures are fairly correct.

Commodity:	*Value in Swiss francs*
Food	327,360,000
Animals and leather	42,035,000
Paper, seeds, flour, and lumber	16,821,000
Textiles and rubber goods	57,236,000
Minerals and coal, oil and steel	224,150,000
Machinery, automobiles, typewriters, etc	188,091,000
Pharmaceutical and chemical products	115,825,000
Hardwares and furniture	8,209,000
Total	979,727,000

Figures of total exports to Switzerland for the year 1948 are not available as yet. However, there is no material difference between the commodities exported to Switzerland in 1948 and 1947.

It will be seen from these figures that Switzerland was unable to import extensively from the United States during the war years, but that under postwar conditions the trade between the two countries has vastly increased and that the United States has a very substantial trade balance.

The domestic companies named have been very greatly benefited by the importation into this country of watch movements of new and improved design and the assembling of these movements in attractive cases in the United States. As a matter of fact, it was the Swiss watch industry that popularized the wrist watch after the year 1924, and also introduced the small rectangular movements (the baguette) which soon attained great popularity. The attractive wrist watch

of today in the United States is due to the foresight and ingenuity of the Swiss watch industry, and this has been greatly responsible for the very substantial increase in the consumer demand for wrist watches.

In report No. 20, issued by the United States Tariff Commission in 1946, it is stated:

> Assemblers and importers have been more active than manufacturers of wholly domestic matches in introducing new styles of watches, in advertising, and in direct selling to retailers; they also had pioneered in time-payment sales to consumers through credit jewelry stores. These sales-promotional activities of assemblers and importers resulted in an increase not only of their own sales but also of total sales. * * *

As we have pointed out hereinbefore, both Elgin and Hamilton have greatly increased their sales and are in a very prosperous condition.

In an article appearing in the January 1947 issue of Fortune, statement was made by a representative of the Hamilton Watch Co. that Waltham and Elgin, and the United States watchmakers' union have mobilized to obtain an agreement with the Government of Switzerland to limit the annual export of Swiss-watch movements to the United States; that Hamilton did not object but that Hamilton was seldom found among the pilgrims who journey to Washington in the interests of protection. It was further stated in this article in Fortune by Hamilton:

> Foreign competition has never been a serious threat.

In conclusion, the demand for watches in the United States has greatly increased and will continue to do so. More teen-agers are wearing watches today than ever before, and it is not uncommon for men and women to own more than one watch. In our opinion, the importation of watch movements to be assembled in this country does not offer any serious threat to domestic watch companies, provided that they are efficiently operated, produce an attractive product which is acceptable to the consumer public, and properly handle the merchandising of such product. We believe that the time that has been spent in attempting to interfere with the importation of watches and watch movements from Switzerland could have been much more profitably used in the development of consumer demand for fine watches, attractively cased, in the United States.

As has been previously expressed by the officers of the American Watch Assemblers' Association, Inc., it is our sincere wish that the Waltham Watch Co. will succeed in solving its present financial problem and that it will once again be able to resume operations, as we feel that there is sufficient consumer business in the United States to enable Waltham, as well as Elgin and Hamilton, to sell and distribute their entire production; and, in addition, require substantial imports of Swiss watches.

We conclude this memorandum by again urging upon Congress the quick enactment of the proposed law, extending the trade agreements program, without restrictions.

The CHAIRMAN. Any questions?

Senator MILLIKIN. Would the Watch Assemblers agree to an arrangement whereby they would continue to have a percentage share of the United States market?

Mr. CARNOW. It is not a question of a percentage of the United States market, Senator. The domestic watch people, Hamilton, Elgin, and Waltham, including the production of Bulova in this country, cannot produce all of the watches that are demanded by the consumer public. For anybody to say what the figure will be at any given year, I think will require a great deal of foresight. We must remember this, that the watches that are brought into this country are brought in by businessmen who bring in a product because they feel that they can sell it. If they can, in their combined judgment, sense that the market conditions are changing, they are not going to buy watches just for the sake of buying them. Their imports will be reduced. That will be a normal business reaction.

Senator MILLIKIN. I repeat my question. Would the assemblers consent to an arrangement whereby they got a percentage of the domestic consumption?

Mr. CARNOW. They could not consent to anything about which they did not know the terms.

Senator MILLIKIN. As the consumption increased the percentage would apply to the increase. There is nothing new in that technique. We have it, for example, in our sugar trade acts.

Mr. CARNOW. There is one point that is different. In other words, it takes almost from 6 to 9 months to make a watch movement. Nobody can sit back here and say that the market next year will be 10,000,000 watches, and therefore you fellows can bring in five.

Senator MILLIKIN. You have to gamble on the market as it is. You do not wait for 6 months, and shut down your factory to anticipate your market.

Mr. CARNOW. The importers do. They do not have to do that. They can go abroad and buy as they need.

Senator MILLIKIN. Is it not the fact that in the operation of your business you estimate your market?

Mr. CARNOW. That is right.

Senator MILLIKIN. You estimate it perhaps a year ahead or more.

Mr. CARNOW. Bulova does, yes.

Senator MILLIKIN. So I mean what would be insuperable about that kind of an arrangement?

Mr. CARNOW. How you can possibly distribute a quota among all of the business firms is something I can't see.

Senator MILLIKIN. I mean whenever there is a quota, there is alway a mechanism for distributing the quota. I mean that is a mechanical detail that follows acceptance of the principle, if you would accept it.

Mr. CARNOW. I doubt very much if they would accept it.

Senator MILLIKIN. What share of the market, the United States market, would you like to have?

Mr. CARNOW. We only have what the consumer public is willing to buy. It is my opinion that Elgin and Hamilton and Waltham have a first call on the consumer demand. What we have been selling has been the excess demand over and above theirs.

Senator MILLIKIN. Would you be willing that a quota be set on the basis that would assure the protection of these domestic watch-manufacturing companies?

Mr. CARNOW. I do not think they require the protection.

Senator MILLIKIN. If it was considered that they did require it?

Mr. CARNOW. I must differ with you, Senator. The question of quotas is not acceptable to our association and to our membership, because we have heard of the experience of quotas now taking place in Canada with the trading among privileges to import, and we feel that any restrictions of that kind would encourage smuggling and things of that kind.

Senator MILLIKIN. You have given an honest answer to the question.

On page 3 of your brief, you quote from former Secretary of State Byrnes, and you attribute to him the following language:

> Trade between countries is one of the greatest forces leading to the fuller use of these tremendously expanded productive powers. But the world will lose this opportunity to improve the lot of her peoples if their countries do not learn to trade as neighbors and friends. If we are going to have a real people's peace, world trade cannot be throttled by burdensome restrictions.

You go on to say as a part of your own editorial comment:

> With this statement of our former Secretary of State we are in entire accord and, therefore, we urge that the reciprocal trade agreements program, without burdensome restrictions—

I am glad you say that, and not "without crippling restrictions"—

> be extended as proposed in H. R. 1211. This memorandum is primarily intended to express the hearty endorsement of this association of said bill.

You seem to have no difficulty in importing watch movements into this country, but let us take a look at the hurdles that are imposed upon our exporters in other countries.

Do you know of any important country that in addition to its tariffs does not have quotas, does not have license systems, that does not have exchange controls?

Mr. CARNOW. Yes; a great many countries have that.

Senator MILLIKIN. What countries?

Mr. CARNOW. South American countries that I know of.

Senator MILLIKIN. Name them, please.

Mr. CARNOW. I believe Argentine has one.

Senator MILLIKIN. There is not a country in South America that does not have one or more types of those additional restrictions.

Mr. CARNOW. That is right.

Senator MILLIKIN. The end point is that your reciprocal trade system as such has not beaten down those barriers that you want beaten down.

Mr. CARNOW. But in the case of the United States with Switzerland, we have an imposing array of things that we sell them, and certainly we benefit tremendously from our relations with Switzerland when we send them 126,000 tons of wheat, 51,000 tons of corn, 66,000 tons of flour, 51,000 tons of sugar, and the other items, 629,000 tons of coal, and 62,000 tons of fuel oil, 15,000 tons of steel and iron parts, 32,000 tons of steel sheets, 14,000 tons of copper bars, lead, tin, 17,000 automobiles and machinery, and tons and tons of other things. I mean that all is a good example, in my opinion, of reciprocal trade. We have what they want, and we take the things they want to sell us.

Senator MILLIKIN. Would you say that because our trade balance is advantageous with Switzerland or with any other country, let us not talk about the watch business for a minute so as to avoid a lot of argu-

ment, that that would be a valid reason for injuring one of our domestic industries?

Mr. CARNOW. On an over-all program, I personally cannot conceive how it is possible whereby every industry, perhaps some that are inefficient or some that are high-cost producers, can be protected to the full extent. If I remember correctly, the comment made by Mr. Goss here earlier this morning, he felt if a country has a product that they can produce cheaper——

Senator MILLIKIN. My question was a very simple one. I asked you whether because we have a favorable trade balance with any country, whether that that is reason for seriously injuring any of our domestic industries.

Mr. CARNOW. No, but when you say seriously injure, I don't believe we want to seriously injure it. Perhaps some ways and means can be found to alleviate the condition. But sometimes on an overall program, somebody must get hurt. I do not know.

Senator MILLIKIN. I am asking you your opinion as to whether a favorable trade balance with any country is reason for seriously injuring any of our domestic producers?

Mr. CARNOW. I do not believe I am capable of giving you a direct answer to that type of a question.

Senator MILLIKIN. You do not care to answer it. All right.

As to those items that you have mentioned, going to Switzerland; Switzerland during the war was on a war-production basis.

Mr. CARNOW. Yes, sir.

Senator MILLIKIN. They had the same obsolescences that any other country that made that transformation in its economy had during the same period; is that right?

Mr. CARNOW. Yes.

Senator MILLIKIN. Does it not occur to you that among these items you were mentioning in the list, that many of them might be nonrecurring as soon as Switzerland gets herself reestablished?

Mr. CARNOW. I do not think so.

Senator MILLIKIN. Let us go through the list a little bit. Take food. You attribute 327,000,000 Swiss francs of exports from this country in the line of food. Past experience shows that Europe catches up with its food production. Would you say that it is a certainty that Switzerland will continue to take that much food from us?

Mr. CARNOW. No: but I think some evidence can be taken from the fact that on page 14 of the brief, that from 1938 to 1948, over the 10 years, with the exception of the war years of 1943, 1944, and 1945, that we have had a favorable trade balance with Switzerland.

Senator MILLIKIN. But you do not find the same disparity in those years that you find at the present time. That is exactly what I am talking about. If you take your tabulation that you set out there, you will find that since the war, particularly in 1947, we have exported much more to Switzerland in relation to imports from Switzerland than we did in the preceding years. That is what suggests that Switzerland is rehabilitating herself with the American goods. I am not quarreling about that. I am simply making the point that perhaps this benefit is in part a nonrecurring benefit.

Mr. CARNOW. Well, maybe not to the same extent, but certainly as long as we have always had a favorable trade balance with Switzerland, they have always been a good customer of ours; now, the same way if during the war years when we had things from Switzerland, we were able to get from her more than we sent over there, one thing being watches.

Senator MILLIKIN. I am simply making the point that Switzerland has been rehabilitating herself, the same as the other countries that transformed themselves into wartime economy, and that that may account for the enormous increase in the ratio of our exports over their exports to us, from which it follows therefore that that same thing may not be recurring. It may be nonrecurring at least in part.

I thought your testimony in answer to a question of Senator Lucas was not entirely clear. On page 8, at the top of the page, you say, starting at the bottom of page 7, rather:

> However, the fact is that we do not believe it is possible in the foreseeable future for the domestic watch industry to expand its production facilities to a sufficient point to take care of the consumer demand in this country, * * *.

Then in response to Senator Lucas' question, as I understood your testimony, you proceeded to show that they are expanding. Would you mind taking your position one way or the other on that?

Mr. CARNOW. Well, if Elgin produced a million watches last year, I think they announced an expansion program of 20 or 25 percent in 1949, and the best they could produce would be 1,250,000. If there was a million, they could best produce another 250,000.

Senator MILLIKIN. Do you stand by the statement to Senator Lucas' question that you do not believe it is possible for the domestic watch industry to expand enough to take care of the domestic business?

Mr. CARNOW. Not in the next few number of years.

Senator MILLIKIN. Does it occur to you that perhaps a drop in the participation of the American market from 53 percent in your own figures, down to 22 percent, might have some effect on how much they want to expand?

Mr. CARNOW. No. I think that they will expand and continue to expand in the face of the kind of economy which we live in today, because somehow or other, there seems to be an accepted ratio between the amount of money spent for jewelry and watches gets its shares of the jewelry business, to the national total income.

Senator MILLIKIN. Under your own figures, the domestic companies have not held their share of the domestic market; is that not correct?

Mr. CARNOW. Only because they have not produced more.

Senator MILLIKIN. Then I ask you is not the drop from 53 percent down to 22 percent a deterrent to producing more?

Mr. CARNOW. No, sir.

Senator MILLIKIN. How do you reason that?

Mr. CARNOW. Because I believe that they will, and they are expanding, and will continue to expand. The fact is they have not anticipated in sufficient time this expanding in the market to expand in time to take advantage of it.

Senator MILLIKIN. Then you do not quite adhere to your statement that you think it impossible in the foreseeable future for the domestic watch industry to expand its production facilities to the point sufficient to take care of the consumer demand of the country?

Mr. CARNOW. Yes, I think in the foreseeable future. I don't think in the next 10 or 15 years that those three companies would increase their production to take care of a 10,000,000 consumer demand.

Senator MILLIKIN. In connection with that drop from 53 percent to 22 percent, in what years was that?

Mr. CARNOW. I think in——

Senator MILLIKIN. During what years?

Mr. CARNOW. 1931 to 1935.

Senator MILLIKIN. Dropping from 53 percent down to 22 percent, how much has the population of the country increased?

Mr. CARNOW. I do not know. I have not the figures in mind. All I could say is that their production went from 900,000 to 2,200,000. The demand went from 1,700,000 to 10,000,000.

Senator MILLIKIN. That is precisely what I am talking about. If you will analyze the figures which you have given here, and relate them to increase in population, and to the next point I am going to make, the position of the domestic watch industry, it is certainly a sad one. In addition to dropping from 53 down to 22 percent in the face of all of this demand, that you are talking about, how much increase in spending power have you had over the same period?

Mr. CARNOW. A considerable increase.

Senator MILLIKIN. So the figures are really worse than from 53 down to 22, are they not?

Mr. CARNOW. I mean for this reason we jump to a conclusion on the basis of figures, but the fact remains——

Senator MILLIKIN. You supplied the figures.

Mr. CARNOW. The domestic watch companies in the early twenties refused to recognize the coming of a wrist watch. They kept making the pocket watch. It was because they refused to recognize a change in the trend, in the style.

Senator MILLIKIN. Let us assume they have been very stupid in the management of their business. Let us assume that.

Mr. CARNOW. That is what gave the other people the opportunity to go ahead.

Senator MILLIKIN. You have pointed out that with their virtues, they have declined from 53 percent down to 22 percent, in the face of an enormous increase in population. Also I suggest to you that the levels of income have more than doubled during the same period, all of which enhances the statistics which are bad enough, as you give them.

Talking about the ability of the domestic industry to expand or not to expand, whatever your theory may be, and I have not quite caught it yet, testimony has been that Switzerland does not allow the exportation of its fine watch-making machinery. What do you say to that?

Mr. CARNOW. There are some machines there is no restriction on. There are a small number of machines with restrictions.

Senator MILLIKIN. They say the very best machines that give Switzerland perhaps an edge in the quality of manufacturing, that Switzerland does not permit their exportation. Is that right or not?

Mr. CARNOW. That is correct.

Senator MILLIKIN. All right. That is all I wanted to get.

How many watches does Bulova completely produce in this country?

Mr. CARNOW. In excess of one million watches in 1948.

Senator MILLIKIN. You have talked about the profits of these other companies. What were the profits of Bulova last year, domestic and importing business?

Mr. CARNOW. They are all combined. We do not segregate them.

Senator MILLIKIN. How much?

Mr. CARNOW. In excess of $5 million.

Senator MILLIKIN. And how much of that is attributable to your import business?

Mr. CARNOW. I could not say. We do not segregate that.

Senator MILLIKIN. You ought to know that.

Mr. CARNOW. I cannot answer that. We bring over a movement from over there, the same as we bring a movement over from our Woodside factory, and it is one sales organization.

Senator MILLIKIN. You mean to tell me you are not running costs on your domestic production of the watch?

Mr. CARNOW. We have a cost of that.

Senator MILLIKIN. You deduct one from the other. You have the answer, have you not, if you do that?

Mr. CARNOW. You cannot jump to that kind of a conclusion.

Senator MILLIKIN. Of course, I have oversimplified the problem. Do you mean to tell me that Bulova does not know the difference between what it is making, if anything, in its domestic production, and what it is making by virtue of its imports?

Mr. CARNOW. We never took the trouble to segregate it.

Senator MILLIKIN. Are you sure of that?

Mr. CARNOW. Yes, sir.

Senator MILLIKIN. And you are talking about the efficiency of Bulova.

Senator WILLIAMS. How do you complete your tax issues on that?

Mr. CARNOW. It is foreign costs.

Senator MILLIKIN. Now we are getting down to what you were complaining about a moment ago. I wish you would please press you question, Senator.

Senator WILLIAMS. I was just interested in how you compute your taxes, if you do not know how much you make in this country.

Mr. CARNOW. I do not know if I am being understood or just what is happening.

Senator WILLIAMS. You have to report to the Treasury the earnings of your company in this country.

Mr. CARNOW. Yes.

Senator WILLIAMS. How do you compute that? Do you not separate those?

Mr. CARNOW. The cost of operating our Swiss plant is the cost of production of our foreign movement.

Senator WILLAMS. Do you not have a break-down between your importing profits and your production in your financial statements?

Mr. CARNOW. Well, the profits of our Swiss branch are included in part of our financial statement.

Senator WILLIAMS. But they are broken down.

Mr. CARNOW. To the individual company, yes. In other words, our Swiss branch will show the compilation of the figures of our Swiss operation which will show a profit. That profit is included in our cost, in our balance sheet, as we present it to our stockholders.

Senator MILLIKIN. What was the profit on the domestic complete manufacture of watches in this country? How much did you make out of that?

Mr. CARNOW. I perhaps do not understand that question.

Senator MILLIKIN. You have a plant here which makes the complete watch, have you not?

Mr. CARNOW. That is right.

Senator MILLIKIN. How much money did you make out of that last year? Pick anytime you want, but state the time.

Mr. CARNOW. We cannot split a figure that way; in other words, let us assume that we sold 2,000,000 watches. If we produced a million here, and we imported a million, and we made $5 million, then would say you made $2 a watch and you could say you made $2.50 out of that European. Is that the formula you are trying to develop? Perhaps I may be stupid and not understand the question.

Senator MILLIKIN. I will make it very simple. You have a department of your business or branch of your business which has to do with the complete manufacture of a watch in this country. Right?

Mr. CARNOW. The watch movement.

Senator MILLIKIN. Watch movement. All right. What else do you do domestically except put Swiss movements into cases?

Mr. CARNOW. At Woodside we produce a watch movement and in Switzerland we do that. They come from both sources to New York.

Senator MILLIKIN. How much did you make at Woodside? How much money?

Mr. CARNOW. It is just a branch operation. We do not separate that figure.

Senator MILLIKIN. How much money did you make at the branch?

Mr. CARNOW. It is part of the over-all. It is one corporation.

Senator MILLIKIN. Do you mean to tell me that you operate a manufacturing facility in this country and do not know what your profits are, if any?

Mr. CARNOW. I can tell you what the cost of production was over there. We do not segregate a profit on a part of a finished product.

Senator MILLIKIN. How do you run that business? Is it a separate corporation?

Mr. CARNOW. No, it is a branch of the Bulova Watch Co.

Senator MILLIKIN. Not a separate corporation?

Mr. CARNOW. Not a separate corporation.

Senator MILLIKIN. Has it no separate accounting of its operations?

Mr. CARNOW. It is a department of the major.

Senator MILLIKIN. How do you meet the point made by Senator Williams?

Mr. CARNOW. It is part of it.

Senator MILLIKIN. That does not answer Senator Williams.

Senator WILLIAMS. You have to report your profits in Switzerland to the Swiss.

Mr. CARNOW. That is right.

Senator WILLIAMS. You have to report the profits here.

Mr. CARNOW. Yes.

Senator WILLIAMS. How do you break them down?

Mr. Carnow, in your statement you were able to give us the profits on Elgin, Hamilton, and all of these other companies. How about your own company?

Mr. CARNOW. When I cite the profit at Elgin, I do not know if they consider that they made so much profit in Aurora and so much profit in Lincoln and so much profit at Elgin.

Senator WILLIAMS. I venture to say that they could, but you have it down here as a whole.

Mr. CARNOW. That is right.

Senator WILLIAMS. We are asking you how much you made in this country on your manufacturing.

Mr. CARNOW. I can only tell you that if the percentage that the domestic production of watch movements would apply to the over-all production number of watches we sold, and if you want to allocate it to that base, all well and good, gentlemen. I cannot understand your question.

Senator WILLIAMS. Would you be willing to furnish to the committee a copy of your last year's financial statement as reported to the Treasury Department?

Mr. CARNOW. Surely.

Senator WILLIAMS. Mr. Chairman, I would like to ask that be put in the record.

Mr. CARNOW. You mean a copy of the tax return; that is available to you from the Treasury Department, is it not? Here is the statement of our 1947, if you want to look at that.

Senator WILLIAMS. In answer to a question before that I asked, I asked you about how much of importing these movements from Switzerland, and your answer was that you did not import the movements, but manufactured your watch entirely in this country in the same manner that these other companies did.

Mr. CARNOW. You asked me if we imported——

Senator WILLIAMS. I asked you about the importing, what percentage of the parts you imported. You said you manufactured them in the entirety.

Mr. CARNOW. I said of the watches we manufacture here we manufacture all of the parts, the same as the others. In addition to what we manufacture here, we import movements from abroad.

Senator WILLIAMS. What do you do with those movements?

Mr. CARNOW. We case them in this country.

Senator WILLIAMS. You use them in watches in this country.

Mr. CARNOW. We use them in watches. In other words, the watch movements from Switzerland and the watch movements from our Woodside factory come to our New York office. They are intermingled. They lose, in a sense, their identity.

Senator WILLIAMS. They lose their identity when they come in. How do you distinguish between the production of parts made in Switzerland and made here in this country? How do you separate those costs?

Mr. CARNOW. We know our costs over there are comparable to the figure that has been quoted here of about $6.52 per movement. That is before duty. Our costs in this country, which are a business secret,

but I will say that the final product at Woodside costs in the neighborhood, depending upon the size and the model and the jewels, of from $9 to $10 per watch.

Senator MILLIKIN. Nine to ten, and in Switzerland, plus duty, what?

Mr. CARNOW. $6.52 plus about an average duty of $2.40, because on 17 jewels it runs from $2.10 to $2.70.

Senator MILLIKIN. It costs you about $8.90. Your domestic business costs you about $9 to make.

Mr. CARNOW. I would say an average of about $9.50.

Senator MILLIKIN. How many domestic do you make?

Mr. CARNOW. In excess of a million.

Senator MILLIKIN. How much in excess—two million, three million?

Mr. CARNOW. Just about over a million.

Senator MILLIKIN. Plus some minor figure?

Mr. CARNOW. That is right.

Senator MILLIKIN. How much did you import?

Mr. CARNOW. I prefer not to say, sir, unless you want me to.

Senator MILLIKIN. What is the secret about that? There is no secret about that. I mean we can get it from the Tariff Commission or some other agency of the Government.

Mr. CARNOW. That is right.

Senator MILLIKIN. Why do you withhold it?

Mr. CARNOW. I mean some of these things are trade secrets as to units that we sell.

Senator MILLIKIN. That is a lot of nonsense. Is there anyone here from the Tariff Commission who knows how many Swiss movements were imported into this country last year?

Mr. DORFMAN. By Bulova?

Senator MILLIKIN. By Bulova is what I am talking about.

Mr. DORFMAN. We do not have the information showing how many movements are imported by each company.

Senator MILLIKIN. How many imported altogether?

Mr. CARNOW. About 9 million last year.

Senator MILLIKIN. What percentage of that do you import?

The witness is very tender with his own situation, but he does not mind going into details of other peoples' business. I suggest that he is not quite candid with the committee.

Mr. CARNOW. I do not want to give that impression, sir. I know there are certain facts about the operation of a man's business that he prefers not to put on the public record.

Senator MILLIKIN. But you do not hesitate to put the other fellow's facts.

Mr. CARNOW. I did not say anything about the other man's costs or anything of that sort, sir.

Senator MILLIKIN. What was your profit altogether?

Mr. CARNOW. In excess of $5,000,000.

Senator MILLIKIN. Five million dollars?

Mr. CARNOW. That is right. All of that information, what I mean, we are quoting here public information.

Senator MILLIKIN. You realize, of course, that we could pursue the matter and find out how many watches Bulova imported?

Mr. CARNOW. That is right.

Senator MILLIKIN. Do you have any objection to our doing so?

Mr. CARNOW. No, sir; I merely do not want to be the one to make those figures public.

Senator MILLIKIN. Where would that information be?

Mr. CARNOW. The customhouse ought to be able to give it to you.

Senator MILLIKIN. The customhouse?

Mr. CARNOW. Yes.

Senator MILLIKIN. Will someone that is familiar with these intricacies get that?

Mr. CARNOW. If the information is for the convenience of the committee, if it was just for private record, just for the committee——

Senator MILLIKIN. I am talking about the public record, no secrets. Let us get the figure. I presume that you can take the proportion of the movements that you make here against what you have imported and first start out by getting a rough approximation of the profit between the two on the basis of proportion, and then add a certain uncertain element of additional profits for your imports, because the cost is more to make the watch here than it is to import it from Switzerland.

Mr. CARNOW. A minor amount more.

The CHAIRMAN. Let me ask you one question. What has been the production of the American watch manufacturers, that is, the manufacture of works, the ones that you speak of, Elgin and Hamilton. I mean, has it gone up or gone down?

Mr. CARNOW. The published reports, we know that it has gone up, going up. They have themselves said so.

The CHAIRMAN. But it has not gone up as rapidly of course as the imports.

Mr. CARNOW. No, because they could not keep pace with the demand. I made some notations.

The CHAIRMAN. That is the very point I was getting at. So that there has been no actual loss in the production of these companies during the period that you spoke of, from 1935 up to the war.

Mr. CARNOW. No, sir.

The CHAIRMAN. No actual decline in their production.

Mr. CARNOW. Only except during the war years.

The CHAIRMAN. Only except during the war years.

Mr. CARNOW. Yes.

The CHAIRMAN. But there was, of course, a very rapid increase of imports because the demand was here.

Mr. CARNOW. That is right.

The CHAIRMAN. Tremendous buying power was in the country, and a demand for watches.

Mr. CARNOW. Not only that, but the Government encouraged the importation from Switzerland at that time to satisfy the demands of war workers, even men in the Army, to whom we sold watches through the post exchanges, because it was certainly felt that it was to the advantage of this country to utilize Swiss labor and material for production of watches while the domestic companies were in war production, and as a matter of fact, Order L–23 of the War Production Board allocated a portion of every incoming shipment to sale of the Army post exchanges.

The CHAIRMAN. Any further questions?

Senator MILLIKIN. If Switzerland became blockaded—what is the amount of the assemblers' business?

Mr. CARNOW. About $160,000,000 a year.

Senator MILLIKIN. That would be a dead business, would it not, if they became blockaded?

Mr. CARNOW. That is right.

Senator MILLIKIN. You talk about the increase in the public consumption of watches; you attribute a considerable part of that to your own advertising campaigns?

Mr. CARNOW. That is right, as well as the others.

Senator MILLIKIN. You have been predominant.

Mr. CARNOW. We have been; yes.

Senator MILLIKIN. In the advertising.

Mr. CARNOW. That is right.

Senator MILLIKIN. And you have had good profits in the main made out of the importation of Swiss movements in order to carry on the advertising business, have you not?

Mr. CARNOW. I did not understand that.

Senator MILLIKIN. That is very simple.

Mr. CARNOW. I do not want to jump to an answer.

Senator MILLIKIN. It costs a lot of money to run the kind of advertising you are doing.

Mr. CARNOW. Yes.

Senator MILLIKIN. How much does it cost?

Mr. CARNOW. I will not say that.

Senator MILLIKIN. Is that a trade secret, too?

Mr. CARNOW. That is right.

Senator MILLIKIN. It costs a lot of money.

Mr. CARNOW. That is right.

Senator MILLIKIN. You have the top spots.

Mr. CARNOW. That is the result of many, many years, Senator.

Senator MILLIKIN. I am not complaining about that. I am just trying to trace out the reasons for your prosperity; the bulk of your profits. You will not saw how much comes from the importation of watch movements?

Mr. CARNOW. I would not say the bulk of them. I would say a proportion.

Senator MILLIKIN. A proportion. But I think the figures will demonstrate a substantial bulk, and we will have the figures.

Mr. CARNOW. You will get them.

Senator MILLIKIN. Import profits put you in an excellent position to carry on these campaigns and further increase the disparity between yourselves and the domestic producers, do they not?

Mr. CARNOW. Well, we would like to continue to keep increasing our business and increase our domestic production as well as our imports.

The CHAIRMAN. Is the Bulova Watch Co. an American corporation?

Mr. CARNOW. Yes, sir.

The CHAIRMAN. Domiciled in this country?

Mr. CARNOW. That is right, sir.

The CHAIRMAN. And what is your floor space here, approximately?

Mr. CARNOW. I should judge at the Woodside factory alone or all of our factories in this country, I should judge that we have probably in excess of three hundred or four hundred thousand square feet.

The CHAIRMAN. How does that compare to your floor space operated by your branch in Switzerland?

Mr. CARNOW. I do not think they have more than—I have never been there—it would be purely guesswork, but I do not imagine more than forty or fifty thousand square feet over there. I judge that by the fact that we employ around 3,500 people in this country against about 500 people abroad.

The CHAIRMAN. How many in this country?

Mr. CARNOW. About 3,500.

The CHAIRMAN. As against 500 abroad.

Mr. CARNOW. Yes.

Senator MILLIKIN. How many suppliers supply you in Switzerland? Would you say 140 different outfits?

Mr. CARNOW. No; 140 members make up our association. We are talking of the Bulova Watch Co. right now.

Senator MILLIKIN. I know that. The complete space devoted to your business in Switzerland is less than the space you occupy here?

Mr. CARNOW. Yes; considerably so.

Senator MILLIKIN. But do you make all of the Swiss movements that your bring in?

Mr. CARNOW. We assemble them.

Senator MILLIKIN. What is the square footage of the outfits that send you the goods which you assemble?

Mr. CARNOW. I do not know.

Senator MILLIKIN. Your answer is that you do not know.

Mr. CARNOW. Yes.

Senator WILLIAMS. What is the valuation of your plants in Switzerland, approximately? What investment do you have?

Mr. CARNOW. Most of it has been depreciated. It has been on the books all along. I do not imagine—it must run—you have the statement there. I think there is some statement on the bottom there that shows the amount of assets in the Swiss branch.

Senator WILLIAMS. $975,000 in Switzerland.

Senator MILLIKIN. That is merely the assembly plant.

Mr. CARNOW. That is the value of all of the assets, plants, or equipment.

Senator MILLIKIN. That is all of your assets.

Mr. CARNOW. That includes inventory and cash and everything else.

Senator WILLIAMS. What percentage of the sales imported?

Mr. CARNOW. I cannot tell you that.

Senator WILLIAMS. You mean you cannot or will not?

Mr. CARNOW. I prefer not to.

The CHAIRMAN. The witness has been over that point.

Mr. CARNOW. There are certain facts of each man's business that he prefers to keep to himself. I do not believe Mr. Shennan would tell you definitely his own cost of production or actual amount of money he spends for advertising. There are news reports, certain statements are made that are just general statements, but there are certain trade secrets. We think that we have a far superior production plan in operation in this country than anybody else. We hesitate telling anybody, if we are substantially lower producers than they are, what that is.

Senator WILLIAMS. Do you report this information to the Treasury Department?

Mr. CARNOW. Yes. There is no question about that.

Senator WILLIAMS. That is all reported and broken down?

Mr. CARNOW. That is right.

Senator MILLIKIN. We will find out.

Mr. CARNOW. That is your privilege, sir.

Senator MARTIN. I think we ought to have in the record what are the names of your subsidiary companies.

Mr. CARNOW. The Sag Harbor Guild.

Senator MARTIN. Wheer is that located?

Mr. CARNOW. That is out in Sag Harbor, Long Island. We have a branch in Providence.

Senator MARTIN. What does that do?

Mr. CARNOW. They manufacture watch cases. We have a branch in Providence, in the name of Bulova Watch Co., manufacturing cases there. We have a branch in Waltham, Mass., known as the American Standard Watch Co. They assemble movements up there. We have a branch in Jersey City, in the name of the American Standard Watch Co. They assemble movements.. We have a branch in Woodside, which is this manufacturing branch, under the name of the Bulova Watch Co.

Senator MARTIN. What is the name of it?

Mr. CARNOW. Bulova Watch Co.

Senator MARTIN. Is that a subsidiary company?

Mr. CARNOW. I am just listing all of the branches.

Senator MARTIN. I wanted the subsidiary companies.

Mr. CARNOW. The Sag Harbor Guild, the American Standard Watch Co. We have Democ, Inc. That is the land we bought for production at Valley Stream, N. Y. We have the Westfield Watch Co., an inactive corporation. That is about all.

Senator MARTIN. Where is it you manufacture your American-made works?

Mr. CARNOW. In Woodside, Long Island.

Senator MARTIN. Is that done by the holding company, or that is——

Mr. CARNOW. That is the parent company. It is a branch of the parent company.

Senator WILLIAMS. You do not know the volume, or you would not give us the volume of that business done there.

Mr. CARNOW. They only produce movements, and they produce in excess of a million movements.

Senator WILLIAMS. I mean the value in dollars.

Mr. CARNOW. I gave you an approximate figure of from $9 to $10 a movement. If you want to average and say $9.50, say the production is worth 9½ million dollars.

Senator MILLIKIN. It costs them under your figures, it costs about $2 to $3 a watch more, or a movement more than your imported movement.

Mr. CARNOW. Which difference is compensated by the duty.

Senator MILLIKIN. But that brings me to another question. You stated here on page 4, it is our contention that the difference in costs

of production of the domestic watch and a Swiss watch is substantially covered by the rate of duty presently assessed.

Mr. CARNOW. That is right.

Senator MILLIKIN. Now, how do you reconcile the two statements?

Mr. CARNOW. If the cost to us is $9.50, and our imported movement, the average landed movement is $6.50, to which you add $2.40, the average duty, it gives you $8.90, which gives you a difference of around 50 or 60 cents. I believe that would be substantially compensated by the rate of duty.

Senator MILLIKIN. The figure I thought was about $6.50.

Mr. CARNOW. That is before you pay duty.

Senator MILLIKIN. How much is the duty?

Mr. CARNOW. On the ladies' watch it is $2.70, and on the gentleman's watch it is $2.10. If we average the two, you come to $2.40 in 17 jewels.

Senator MILLIKIN. You make watches of less than that?

Mr. CARNOW. No, sir.

Senator MILLIKIN. You do not either make them or import them?

Mr. CARNOW. We import some.

Senator MILLIKIN. Of less than that?

Mr. CARNOW. Yes.

Senator MILLIKIN. In the case of less than a 17-jewel watch, what is the duty?

Mr. CARNOW. Around $2.25. It runs down to less than, a difference of 9 cents per jewel.

Senator MILLIKIN. I suggest that taking your own figures, there is a substantial differential between the cost of the movement imported and the cost of the movement as you make them, and where you are dealing in quantities of the amount that you are dealing in, it is a very substantial total figure.

The CHAIRMAN. Any further questions?

Senator WILLIAMS. What was the total gross sales last year, including everything?

Mr. CARNOW. It is for 1948, around 48 or 49 million dollars.

Senator WILLIAMS. Gross sales?

Mr. CARNOW. Yes, sir.

Senator WILLIAMS. And in answer to a question of Senator Millikin you just described your operations on this Long Island plant in which you manufactured these parts in America, with a valuation that would come to around $10,000,000. You said that each part had a valuation of around eight or nine dollars, and you manufactured around a million or a million and a half parts; that would leave about 20 or 25 percent of the sales in this country manufactured.

Mr. CARNOW. I do not know how you come to that conclusion.

Senator WILLIAMS. That is your own statement.

Mr. CARNOW. You are talking about a cost of a movement, which is only a part of a finished product, and you are comparing it to a sale of a finished product. You are drawing a conclusion.

Senator WILLIAMS. Do you want to correct your statement?

Mr. CARNOW. Throughout these hearings, in connection with this watch situation, as testimony given to the House, Mr. Cenerazzo prepared a very elaborate statement that showed relationships of profits, et cetera; I have handled a lot of figures in my day, and I know how you get figures to tell you any kind of a story, but I do know this much,

that businessmen, as a basis, like to take as a basis of profit, the percentage of sales. He has accused us of making anywhere from 3 to 4 hundred percent on this, and 12,000 percent on something else.

You take the 1940 figures of Mr. Cenerazzo's statement for Elgin, Hamilton, and Waltham. Their sales and profits for that year gave them a net return of 10.6 percent.

Senator WILLIAMS. What did Bulova make?

Mr. CARNOW. 13.7. But when you take the three companies of Bulova, Benrus, and Longines—Gruen sales were not available—these three against the other three, combined profit of only 10.8 percent.

Senator WILLIAMS. That is all of the companies?

Mr. CARNOW. That is right.

Senator WILLIAMS. That is, yours was 13.7?

Mr. CARNOW. That is right. But he likes to come to a conclusion of one company that is very high, and take another that is very low. If you take one of 100 and the other one of zero and combine them, and say it is 50 percent, I can get any kind of story I want to get if I want to juggle figures around. But everybody will accept the fact that sales, the relationship of profit to sales, is a good basis for comparison. When you take the three companies who have been accused of all kinds of profiteering, and God knows what, for the year 1947, they had an average profit of only 9.6 percent. That is Bulova, Benrus, and Longines.

Senator WILLIAMS. What year?

Mr. CARNOW. 1947.

Senator WILLIAMS. What was your profit?

Mr. CARNOW. My profit was 10.1 percent. You can go ahead and juggle figures all day long, and get different stories.

Senator WILLIAMS. I was just taking the answer you gave Senator Millikin.

Mr. CARNOW. When you take a figure of the cost of a movement and take the percentage of the sale of the finished product and try to come out to 25 percent, I think you have a wrong conclusion.

If they are not for the public record, I would be happy to give them to you myself.

Senator MILLIKIN. We will get them. No secrets.

Mr. CARNOW. I trust you will ask the same kind of questions from Mr. Shennan when he is here, get his figures of the Elgin Watch Co.

The CHAIRMAN. If there is nothing further that you wish to put in the record——

Mr. CARNOW. Throughout the testimony, just to clear the record, Mr. Lyne in his testimony, and he was so very careful to state that, said that he painstakingly read my testimony before the Ways and Means Committee, and he could not get the answer to when Bulova started manufacturing in this country, and the number of watches we made. It is in there, and then Mr. Cenerazzo who appeared here Saturday says he spoke to the people on the sidewalks in front of our place, and they told him we made half a million movements; when he appeared before the House, he said we made 300,000. He was sure of that. He accuses us of selling 3,000,000 watches, and spending $12,000,000.

Senator MILLIKIN. All of the speculation arises out of the fact that you will not put the figures in.

Mr. CARNOW. I told the House Ways and Means Committee what we had produced.

Thank you very much.

The CHAIRMAN. Thank you very much.

I would like to call Mr. Katz.

Mr. Katz, give your name to the reporter, and the concern that you represent.

STATEMENT OF BENJAMIN S. KATZ, CHAIRMAN, EXECUTIVE COMMITTEE, AMERICAN WATCH ASSEMBLERS ASSOCIATION

Mr. KATZ. My name is Benjamin S. Katz, president of the Gruen Watch Co., and chairman of the Executive Committee of the American Watch Assemblers Association.

The CHAIRMAN. Is your company an American company?

Mr. KATZ. Yes, sir; our company is an American company.

The CHAIRMAN. All right. You may proceed with your statement.

Mr. KATZ. I regret, Mr. Chairman, that I have not had an opportunity to prepare a statement, and so I will read from notes that I have made. Then I will be pleased to answer any questions.

I am appearing before your committee to urge the extension of the reciprocal-trade agreement, H. R. 1211. I am urging the extension of this agreement because I am confident that, as it applies to the watch industry, it serves the best interests of both the domestic companies, the importers, and the consumers.

I would like to start by answering the supplemental statements of the American Jeweled Watch Manufacturing Industry on the bill, H. R. 1211, to extend the trade agreement, which Representative Curtis had placed in the Congressional Record on page 1063, and which statement was signed for the three domestic companies by Mr. Shennan, president of the Elgin National Watch Co.

I am certain that Mr. Shennan was not responsible for the insertion of the figures as they appear here. It would show a profit for Elgin, Hamilton, and Waltham of $2,724,000 in 1940, and a drop to $1,830,000 in 1947.

The Waltham Watch Co. in 1946 and 1947, as everyone knows, lost tremendous sums of money. Including Waltham with Elgin and Hamilton reminds me very much of a story of the sausage manufacturer who advertised rabbit-meat sausage, and was arrested for using horse meat with it. When he came before the judge, he pleaded that it was a 50–50 combination of rabbit meat and horse meat, and when the judge asked him to explain what he meant by 50–50, he said that he used one horse and one rabbit.

Now, when we analyze the profits of Elgin and Hamilton——

Senator MILLIKIN. Did you ever see the rabbit in the play called Harvey?

Mr. KATZ. Yes; I did. I hope that has something to do with this story.

Senator MILLIKIN. A pretty big rabbit.

Mr. KATZ. Waltham is a pretty big rabbit, too, and very few people seem to know how to handle it right at this time.

When we actually analyze the profits of Elgin and Hamilton for these same years, we show a profit reduction of $200,000 between 1940 and 1948, and not approximately $1,000,000. And I believe that even that $200,000 reduction is not actual reduction, but can be accounted for by expenditures in equipping their new plant, expenditures which they have a perfect right to write off as expenditures. I know that for a fact, because we are now equipping an American plant, and I know the cost.

I notice in examining these figures of Elgin and Hamilton——

Senator MILLIKIN. Watchmakers all do the same thing. They all write off those expenditures.

Mr. KATZ. So do all other companies. But the Gruen Co. and the Elgin Co., right at this time, are going through an expansion program. The Elgin people are building a new plant in Nebraska, I believe, and to consider that they had a profit reduction because they were able to charge this expense, $300,000 or $500,000 or $800,000, does not actually tell the story.

Senator MILLIKIN. What I mean to say, all companies use the same method of charge-off.

Mr. KATZ. All companies——

Senator MILLIKIN. When they spend the money for increasing their plant; is that not true?

Mr. KATZ. That is correct; but all companies do not constantly build new plants. That is the point I am trying to make. I am not talking about the usual write-downs of expenditures. I am talking about building new plants, Senator Millikin.

I notice in examining these figures of Elgin and Hamilton that these two companies showed an increase in sales in 1947 over 1946 of more than 32 percent, whereas Bulova and Gruen, the two companies appearing here today, only showed an increase of 13 percent, and Elgin and Hamilton showed this sales increase despite their constant claims that they cannot sell in competition with Swiss importers.

The domestic watchmakers further state they are not seeking a quota unless, of course, they have again changed their minds, since the Ways and Means Committee hearing, and are only seeking equality of tariff.

Gentlemen, the domestic companies have made large profits under the present tariff law, and if you allow a quota or a tariff increase of only 20 or 30 percent, which would be about 75 cents a movement, and assuming that the domestic companies make 2,500,000 movements a year, and they also increase their price by that amount and get an additional $2,000,000 profit, would it not be cheaper, gentlemen, to subsidize the domestic companies by giving them that money rather than permitting that increase in tariff, which would mean that the consuming public, based on 10,000,000 watches annually, would pay 20 to 25 million more for watches, and, worse than that, gentlemen, you will open the floodgates to smuggling.

Senator MILLIKIN. The taxpayer would pay the subsidy.

Mr. KATZ. That is correct, and the taxpayer would pay $2,000,000 instead of $25,000,000, Senator Millikin. The diamond-industry smuggling problem was only solved when duties were cut in half and not increased or a quota placed on them.

I regret exceedingly to argue with Mr. Shennan's supplemental testimony, but I am certain that Mr. Shennan is as interested in keeping the record straight as I am. He states, on page 1064 of the Congressional Record:

> Even the representatives of the assemblers association who testified at the hearing conceded that neither they nor any other industry in this country could manufacture watches and by watches they meant time-measuring mechanisms.

I object to Mr. Curtis or Mr. Shennan telling me, as I was the witness, what I meant. I did not mean anything of the kind. I remember both Mr. Carnow and I stated clearly that there was not anything that any good precision plant could not make that a watch company could make with the exception of watches, and many companies that were not in the watch or clock business manufactured time fuzes, which required a time-measuring mechanism.

Mr. Shennan quotes me as having stated that our American movement plant, after a year, has not yet produced one movement. I would like to get that record straight. We moved into our present plant in Long Island in August of 1948. We have spent all of our time since then manufacturing tools and dies for the first movement that we will produce. The first movement will actually come off the line—and I am sure Mr. Shennan will be glad to hear that—within 60 to 90 days, which is less than a year after we started, which certainly disproves any statements made that it takes 10 years to develop a watch factory, and further proves that Gruen or any other company that has the know-how—and I do not mean the know-how about the manufacture of watches—and has the finances, can build a factory from scratch in a year for the production of instruments of war.

Another statement by Mr. Shennan was that the spokesman for the importers tried to minimize the significance of movement manufacturing in this country, and that the importers manufactured only electrical indicating instruments. That is very far from the truth, and I am sure that both Representative Curtis and Mr. Shennan know this. While our company manufactured approximately half a million electrical measuring indicating instruments, I know that the Bulova Watch Co. manufactured approximately $40,000,000 worth of materal for the war effort, and that Bulova, Benrus, Longines, and Gruen manufactured approximately $70,000,000.

I would like to quote from part of a letter that the Benrus Co., sent to the American Watch Assemblers Association:

> For your further guidance, we would like to point out that the rotors were only made by two other firms in the United States, King-Seeley Corporation and Kohlman Lamp & Stove Co., on the T–47 fuze. The other manufacturers were New Haven Clock Co., Teleoptic Co., Waltham Watch Co., L. R. Teeple, and Underwood Elliott Fisher.

And this is important, gentlemen—

> In the manufacture of the T–47 fuze, we were called upon again and again to aid the Waltham Watch Co. in their manufacturing difficulties, which they were never able to overcome. We believe the records will disclose that Watham's order for this fuze was finally canceled. Only two other firms in the country manufactured firing pins besides ourselves, Warren Telechron Co. and F. H. Knoble Co.

I also notice that in Mr. Shennan's supplemental statement he states that the domestic companies are not dependent upon Switzer-

land for any of their parts, that the only thing that they purchase in Switzerland are jeweled bearings and that they were made by the domestic companies during the last war.

I do not agree that the only thing that they purchased are jeweled bearings, but I do know that the domestic companies did make jeweled bearings during the last war, but at what a price, gentlemen. I happen to have been associated with the War Production Board during the war, and know that the jewels cost as much as a dollar or more apiece at the beginning of the war, and were finally reduced to a production cost of approximately 20 cents against an importation cost from Switzerland of an average of 5 cents. I am certain that Mr. Shennan will agree with me that the watch industry would be in very serious difficulty in this country if it could not import its jewels from Switzerland, as far as supplying watches to the consuming public at prices at which they can afford to buy them.

I am also certain that if an examination is made of the books of the three domestic companies, it will be found that parts other than jewels have been purchased from Switzerland by these companies.

I also noticed reference in the supplemental statement to Mr. Carnow's statement, that the top figure in Switzerland was about 60 cents an hour for the watch industry. I did not examine the testimony but I am sure that Mr. Carnow erred in that statement. The top figure is not 60 cents an hour. That may be the average. It is not 75 cents. I am sure that in many instances it is over $1 an hour, as I stated in my testimony. I am certain that Mr. Carnow, on behalf of the Bulova Watch Co., will be pleased to consider filing his costs, providing the domestic companies do likewise.

However, in my opinion, filing costs is not enough. I also want to know in an examination of costs what has been included in these production costs. Very often everything is thrown in the cost of production, including the kitchen sink.

I notice a reference to my statement that Elgin costs cannot be so high if they are selling their watches at as low a price as $12, with a statement that the Elgin Co. actually sells that low-priced watch for $15. I would also like to get that record clear, please. While the Elgin Watch Co. sells their $29.75 retail watch for $15, my statement to the effect that they sell it for $12 was based on their printed advertising and display allowance put into effect in 1948, which gives large purchasers an advertising display allowance of as much as 20 percent.

You gentlemen at this point may wonder why, as I wondered, does Elgin have an advertising and display allowance up to 20 percent of their watches when no other watch company has any such plan.

While discussing prices and profits and advertising allowances, et cetera, I would like to refer to Mr. Shennan's testimony before the Ways and Means Committee, where he stated, in reference to his company's small advertising appropriation compared with importers:

> There is not money left after we have paid our people to make the watches and after we have gotten what we can for the watches. We do not have enough money to spend on that type of advertising. Our advertising appropriations, I would guess, are around somewhere in the vicinity of 60 percent of an importer for a similar size business.

I can only compare Elgin's national advertising expenditures with ours, and not with any other company's. Elgin's figures were obtained by our advertising agency from an organization that furnishes this type of information. Elgin's expenditure for the year 1948 was approximately 4 percent of their sales. Basing their 1948 sales on their 1947 sales, because I do not have the 1948 figures, our advertising expenditure for the same period was approximately 1¾ percent. I am wondering whether it would not be more profitable to take the amount of money that is expended on the advertising rebate plan and put it into national advertising. But then of course it would deprive Mr. Shennan of an argument, whether it is factual or not, that he only spends 60 percent of what importers of his size spend.

Speaking from notes, gentlemen, it is impossible for me to keep my testimony in chronological order. I would now like to refer to the statement that has been made so often about 9,000,000 movements having been imported from Switzerland annually in the past few years.

I want to point out that only approximately 5,000,000 of these movements were in direct competition with Elgin, Hamilton, and Waltham. The other movements were clock-type movements and not jeweled movements.

Mr. Shennan in his testimony before the Ways and Means Committee, stated that he will be fortunate if their sales in 1948 will equal 1941. Evidently the Elgin Co. feels that it still cannot supply its demand, or certainly it would insist that its salesmen call on every customer, as the Gruen Watch Co. does, and as I am certain the salesmen for the other importers do. I have a letter here over the signature of an Elgin salesman located in Cincinnati, to a Cincinnati jeweler, asking him to please send his order by mail, and allowing him to select only certain watches, advising him that he is too busy to call on him.

Our company is off quota on all watches over $49.75.

It must be very clear to you gentlemen from this letter that the Elgin Co. is not worried about selling every watch that it can make. May I add that I am certain that all of the domestic companies could do a better job if they devoted as much attention to the production and sale of their product as they do to worrying about what the importers do or do not do.

Mr. Shennan further states that he could manufacture 20 percent more watches this year than he did in 1941. Under the present economic conditions, why must Mr. Shennan sell 20 percent more watches than he did in 1941? Certainly Mr. Shennan is not suggesting that some regulation be put into effect that will guarantee to the Elgin National Watch Co. the sale of every watch that they produce.

I would like now to turn to Mr. Lyne's testimony, if I may. Mr. Lyne said the trustees have had no prior connection with Waltham. They have reason to believe whatever mistakes the prior management made can be corrected. This is vouched for by reports of two firms of industrial consultants of the highest standing.

I agree with that. It will take $10,000,000, and will take very strong management. It will require the closing down of the present plant completely, and a steamship ticket for Mr. Cenerazzo, without a return for 5 years, so that the employees can go to work.

Mr. Lyne further says the Swiss have become very adept in the manufacture of watchmaking machines. They have an embargo in Switz-

erland which absolutely prohibits the sale of these machines to manufacturers in the United States.

Is it a crime that a nation becomes adept at making anything? They have no more embargo on these machines than IBM has on their machines, or the United Shoe Machinery Corp. has on theirs, and the best proof of that is that Mr. Lyne's company has just leased the machines that he refers to.

Senator Millikin asked:

> Do we maintain any embargoes on our material that goes to Switzerland?

No. But we maintain an embargo on material that comes from Switzerland by placing a $10.75 prohibitive unconscionable duty on a 21-jewel movement, and I have asked why for 10 years. No one has yet been able to answer that.

Senator MILLIKIN. In the press release which you gentlemen made today——

Mr. KATZ. The what? I am sorry.

Senator MILLIKIN. The press release which you gentlemen made today, you are quoted as follows:

> Discussing costs of manufacture, Katz says there is only a few cents, if any, difference in making a movement here and making one of equal quality in Switzerland, and bringing it into this country.

Mr. KATZ. I have made such a statement, Senator Millikin, and I repeat it.

Senator MILLIKIN. How do you relate that to what you have just said aout this duty?

Mr. KATZ. We are talking aout a 21-jewel duty, that you have placed, or the Government has placed, of $10.75 on the movement. That movement, Senator Millikin, can be made for much less in this country than it can be imported for from Switzerland. I do not know why you are asking the question. It has no bearing on my statement that we can manufacture movements in this country for very little difference than we can manufacture them in Switzerland, after we have paid the duty and all of the expenses.

Senator MILLIKIN. I would suggest that we are just about at the point where we can develop a very fine domestic business in this line of work. Is that right?

Mr. KATZ. The suggestion is to me, Senator Millikin, that the men that have the know-how can build factories here, in China, or anywhere else, and conduct them on a profitable basis.

Senator MILLIKIN. They are proceeding to do so.

Mr. KATZ. We are proceeding to do so.

Senator MILLIKIN. And Bulova is proceeding to do so.

Mr. KATZ. Bulova has had a plant for many years.

Senator MILLIKIN. What objection could there be to a progressive reduction of the amount of Swiss movements coming in here as we expand our own facilities?

Mr. KATZ. Because we are human, the minute that you limit the production or the imports, if you please, you will see a rise in prices in this country, because we, as the domestic manufacturers, will take advantage of the shortage of supply to fill the demand.

Senator MILLIKIN. Are you not in a competitive situation in this country?

Mr. KATZ. Of course we are, but we are all selling the same thing, and we all will do it. If you had no movements coming into this country at all, and you just left it to the present domestic companies to supply 10,000,000 demand with 3,000,000 watches, what do you think would happen, Senator Millikin?

Senator MILLIKIN. I think if you have a true state of competition that would take care of it.

Mr. KATZ. Well, because three different companies, Senator Millikin, are selling three different products, and in the first place I maintain that we are not competitors. Elgin and Gruen do not compete. Gruen and Hamilton do not compete. That is, with each other. Hamilton and Bulova do not compete. We are competing with other industries for the consumer dollar.

Senator MILLIKIN. I understand that. I just cannot believe with that fat market that you are talking about that those in the watch business would not be competing to sell watches.

Mr. KATZ. They would all get the maximum price, and maybe this is not a good statement for me to make. I would like to get more money for our watches than I am now getting, and the reason that I do not is because, if I was a domestic manufacturer, I have watches coming in from Switzerland, which keeps me as a domestic manufacturer from going hog-wild on the price I would charge to the consumer.

Senator MILLIKIN. If you have competition in the industry, it will take care of that.

Mr. KATZ. Senator Millikin, I have been in business 46 years now. I want to assure you that if there were just four or five or six domestic manufacturers who have the market to themselves; without any arrangement, without any violation of any legislation, these four manufacturers, five or six, will get more money, than they do now with the competition that they get from the merchandise that comes in from Switzerland.

Senator MLLIKIN. They would be improving under competition. Under competition they would be improving their technological processes, and under competition they ought to be able to reduce the price and still make a profit, if there is competition.

Mr. KATZ. Under what kind of competition? Amongst themselves, or with a quota system?

Senator MLLIKIN. I am not talking about quota system at all. Quota system internally or at the border?

Mr. KATZ. At the border.

Senator MILLIKIN. Let us assume that you shut out the Swiss watches entirely. Let us assume that. I am not suggesting it.

Mr. KATZ. I am sure you are not.

Senator MILLIKIN. Now, then, you have your domestic people to take care of the domestic market, and your own statement here in this press release indicates now on the basis of cost, you are about able to do that.

Mr. KATZ. That is correct.

Senator MILLIKIN. I am assuming that you have competition in the watch business, and you have developed what a fine market this is. I just cannot believe that you fellows would not be scrambling for that market.

Mr. KATZ. But if we have——

Senator MILLIKIN. Unless you get to owning each other and fixing out little under the table deals.

Mr. KATZ. Senator Millikin, the deals are not made under the table or over the table. When you have a demand for three times what you can produce, you charge more for your products and Senator Millikin, you know that as well as I do.

Senator MILLIKIN. I say I am not suggesting an immediate complete quota. I am not even proposing that as a plan. I just want to get your reaction. I put to you the proposition that since you are now at the point where you can develop this domestic industry in competition with Switzerland, why should we not have a progressive diminution of the number of Swiss movements that come in here, and you have answered that by saying that you would not have any domestic competition.

I suggest that unless you get to owning each other or unless you commence to violate the law, that there would be plenty of competition.

Mr. KATZ. Senator Millikin, there would not be, when you have a demand for 10,000,000 units, and you have a production of 3,000,000 or 4,000,000 units. The producers of the one-third of that commodity are going to get more money.

Senator MILLIKIN. That is why I put the word "progressive" in there.

Mr. KATZ. How do you determine it?

Senator MILLIKIN. Just figure out some kind of a ratio of decrease in imports in relation to your increase in domestic production.

Mr. KATZ. You know, Senator Millikin, when I was very young, I used to think there were geniuses in this world. I do not believe that it can be figured out practically, and when you do that, Senator Millikin, you are going to encourage higher prices for a commodity that is used by the consumer. I would be far happier as a domestic manufacturer without any plant in Switzerland at all, if I was left to my own devices, my own ingenuity, so that I could compete with Switzerland or any other country. I do not want the protection of a tariff. I do not want protection of a quota. We are supposed to be the greatest nation in the world, and we are now suggesting that to protect our little industry or any industry, we are going to put a quota system in as the production goes up.

Senator MILLIKIN. I have not suggested it. I wanted to get your reaction, and you again reiterated your zeal for competition. And with that lovely market ahead of you, I am sure you could give very effective competition to Bulova and Elgin.

Mr. KATZ. The same competition, Senator Millikin, whether we have watches coming in or whether we do not, correct?

Senator MILLIKIN. That is exactly it. That is what I was saying.

Mr. KATZ. When you do that, you will then charge the consumer 10 to 40 percent more, and there will not be any agreement under the table or over the table. Each of us will automatically take advantage of the market.

Senator MILLIKIN. Of course you will.

Mr. KATZ. Certainly you are not proposing that the consuming public may pay more in order to protect a domestic industry.

Senator MILLIKIN. I am proposing this. So far as the consumer is concerned, no pay roll, no consumer.

Mr. KATZ. That is wonderful. I agree with that completely, and the present imports are responsible for as much of a pay roll in this country as the domestic watches, or more.

Senator MILLIKIN. It depends on what happens to these domestic producers.

Mr. KATZ. Nothing will happen to them.

Senator MILLIKIN. They are making the case that they are going to be put out of business. Nothing will happen, believe me, to Hamilton or Elgin.

Mr. KATZ. Nothing will happen, believe me, to Hamilton or Elgin, if they just stop worrying about imports and go to work. They are men who are capable, they have fine plants, they are now producing at a profit, they have produced at a profit for the last 50 years, with the exceptions of ups and downs, the same as any other industry. They will not go out of business.

Senator MILLIKIN. How many people are employed in this country in all phases of the watch-making business, movement phase, case, and assembly phase, all phases?

Mr. KATZ. I would not know, unless I include the retail jewelers.

Senator MILLIKIN. I would not. I mean for my own standpoint I would not include them. I am talking not about the repairer. I am talking about the fellow that is making something or assembling something.

Mr. KATZ. I would not know that. I believe it would be less than 25,000, and if we are talking about case manufacturers, bracelet manufacturers, people that advertise the products, et cetera, I have not got that figure.

Senator MILLIKIN. The domestic business is supplying about 22 percent at the present time of the whole domestic market, is that right?

Mr. KATZ. No; that is not right, because we are all confusing the issue. We take 2,200,000 versus 10,000,000, and it is not so, because 3,000,000 of the watches that are imported into this country are not jeweled watches, and have nothing to do with that.

Senator MILLIKIN. Name the figure, whatever you want.

Mr. KATZ. I do not know. Let us assume that it is 35 or 40 percent.

Senator MILLIKIN. Let us say that. That means then that 65 percent of the watch-making energy that goes into the consumptive market of the country is in Switzerland.

Mr. KATZ. That is not so.

Senator MILLIKIN. How much would you say?

Mr. KATZ. If there is 65 percent, then I would say that approximately one-third or one-fourth of the 65 percent is in Switzerland, because 15 percent maximum of every dollar that is spent retail for a Swiss watch remains in Switzerland; 85 percent remains in America.

Senator MILLIKIN. But the people over in Switzerland that are making these parts that are assembled by Bulova, they are workers.

Mr. KATZ. Yes, sir.

Senator MILLIKIN. How many of those are there?

Mr. KATZ. The last record that I remember was twenty-nine or thirty-nine thousand, Senator Millikin. I do not know.

Senator MILLIKIN. Thirty-nine thousand, and you attributed about 20,000 or something like that to our entire business here.

Mr. KATZ. That is correct, and I am also attributing to their entire business there, cases and all.

Senator MILLIKIN. So that it is just a question of where you want to support the pay roll.

Mr. KATZ. Just a moment. So we do not get ourselves confused, of the twenty-nine or thirty-nine thousand, 24,000,000 movements are made in Switzerland. We only take one-third. So let us take that twenty-nine and thirty-nine thousand, and reduce it to one-third which would give us ten to thirteen thousand.

Senator MILLIKIN. Make it any figure that you want to.

Mr. KATZ. No; I will make it any figure that is correct.

Senator MILLIKIN. Make it any figure that you think is correct. I am just making the point that we are supplying over a third of our market and the rest of the world is supplying two-thirds of our market. That is an important pay-roll item. Would it not be a good thing to have it over here, and under your figures you are about ready to have it over here?

Mr. KATZ. No, Senator Millikin; I am not an accountant. Mr. Carnow is, and he said figures can be juggled any way.

Senator MILLIKIN. I would not assume that you are juggling the figure.

Mr. KATZ. I do not know anything about figures.

Senator MILLIKIN. I am assuming what you are saying is 100 percent "Katz said there is only a few cents, if any difference in making the movement here, in making one of equal quality in Switzerland and bringing it into this country." Why not have the pay roll here? You said that.

Mr. KATZ. How are you going to do it. That is my question. Senator Millikin, we have had this market here, and we have had these plants here, and for years they have been unable to satisfy the American demand for watches.

Senator MILLIKIN. I pointed out to the preceding witness when the domestic industry finds itself running down from 50 percent to 22 percent, there is not much encouragement for expansion.

Mr. KATZ. That is not so, because you are dealing with a fact that has not been brought out here. The industry is not finding itself with 22 percent, but with 35 percent, and the reason for that is the inability of the domestic industry to meet the demand.

Senator MILLIKIN. I am trying to make the point that there is no encouragement to try to meet the demand, when you find your position of 53 percent, or whatever it was, originally, reduced in the way that you have described by importation.

Mr. KATZ. Senator Millikin, may I under danger of being a little immodest tell you a story. I took over the Gruen Watch Co. when it had only 1 percent possibly, or one-half of a percent or 5 percent. It encouraged me to go out and do better, and get a bigger part of the market. How are they being discouraged? Because the demand is greater? Are they being discouraged because Bulova, Gruen, Longine, and Benrus are spending millions of dollars for advertising, to create a market for watches for them? As well as for ourselves? How are they being discouraged?

Senator MILLIKIN. They are being discouraged because they claim by the importation of all of these movements the watches which are thus imported are superseding the American market to such an extent that capital or whatever is required to expand domestic industry is not available.

Mr. KATZ. Senator Millikin, you look like a very practical man to me. That is not the truth. They do not need any capital. Elgin and Hamilton have all of the capital they need to expand their production. I am wondering if their problem is not one of ability to create a watch that the consumer will accept, and thereafter to properly merchandise it.

Senator MILLIKIN. I do not say that that does not enter into it.

Mr. KATZ. What we are talking about——

Senator MILLIKIN. We are talking about the importation of watches, whether your figure is two-thirds of the business into the hands of a foreign pay roll, and under other figures four-fifths of it in the hands of the foreign pay roll.

Mr. KATZ. If the Elgin National Watch Co., by their own statement, could make these statements, believe me, they say in their survey that the demand for Elgin far exceeds the demand for any other watch, why do they not satisfy that demand. They have the space; they have the largest watch factory in the world.

Senator MILLIKIN. You tell me why they do not.

Mr. KATZ. You really want me to tell you?

Senator MILLIKIN. I do.

Mr. KATZ. Because I believe they lack the ability and the foresight to do so.

Senator MILLIKIN. Yet they have a popular watch, which you just said.

Mr. KATZ. That is correct.

Senator MILLIKIN. Which people want, and they have the largest, what do you call it, the largest sales acceptance.

Mr. KATZ. No; they say that. I do not say that. They say that.

Senator MILLIKIN. What do you say?

Mr. KATZ. I say that the Elgin Watch Co., and I am going to get the devil for this, the Elgin Watch Co., the Gruen Watch Co., the Hamilton Watch Co., should never have permitted a new company like the Bulova to take first place in the market. Bulova today sells more watches than any other one company, and as many as two, and I will tell you the reason for it; because the Elgin, the Hamilton, and the Gruen watch companies sat back and said that it cannot be done. They sat back and insisted on making their old-style watches. They sat back and insisted on selling the watches to the old-time jeweler who was not a merchant. He was a watchmaker, and I believe that Elgin, Hamilton, and Waltham owe a vote of thanks to the Swiss importers for having created this tremendous market for them, which they have been unable to take advantage of, and I further believe that if someone takes hold of any domestic company and stops worrying about imports and just goes to work to create the finest product that they can, the most beautiful style, then merchandise it well, that they will need fear no competition.

Senator MILLIKIN. The fact still remains that you have a lot of pay roll over in Switzerland and not here.

Mr. KATZ. I cannot argue with you when we get to a question of pay rolls. I can discuss with you the watch industry and if I have not made my point, I do not know how I can.

Senator MILLIKIN. You have been very clear.

Mr. KATZ. I have? Thank you very much. Then may I go on?

Mr. Lyne says we manufacture some machinery in the watch business, but in recent years the Swiss, we are informed, have become specially adapted in the manufacture of machinery. Back 75 years ago if one thought of manufacturing anything mechanical one immediately thought of America as outstanding and American workmen as outstanding.

Senator Millikin, I want to assure you that if I were the head of the Waltham Co., I would not admit that anybody outmanufactured me. The Waltham Co. has been outmaneuvered, outmanufactured, outsold, and on the record, nothing will help them except management. I made that statement before the Ways and Means Committee, and I would like to repeat it; 6 million, 60 million, or 6 billion dollars won't help them.

Here is a complaint against Switzerland again. Can you imagine if that time was devoted to selling domestic watches what a wonderful job they would do?

It says here, "The trust was reported." Mr. Lyne is again speaking.

Senator MILLIKIN. May I suggest to you that you are spending time resisting them. Suppose you devoted this time to selling watches?

Mr. KATZ. I will tell you, I will be able to better sell watches if I get our position clear before the Senate.

Senator MILLIKIN. That is what they are interested in. That is exactly their position.

Mr. Katz, you are both wasting time so far as selling watches are concerned, because you are not going to get any relief.

Mr. KATZ. I do not want relief. The Swiss watch industry is not asking for any relief. The Swiss watch industry goes out and makes and sells watches the best way it knows how.

Senator MILLIKIN. I mean, I am anticipating how the votes would fall. I would like to see the domestic fellows get some relief. They will not get it.

Mr. KATZ. I am very certain you do not want to see them get the kind of relief that we are talking about. That kind of relief is not healthy for this country, because then it penalizes the consumer.

Senator MILLIKIN. I said a while ago no pay roll, no consumer.

Mr. KATZ. There is no such a thing. You are talking about 13,000 people against 140,000,000 people.

Senator MILLIKIN. Give them all the opportunity to live safeguarded.

Mr. KATZ. You will do that better if you have a free enterprise, Senator Millikin.

Senator MILLIKIN. I do not object to free enterprise. I am an exponent of it.

Mr. KATZ. You are? How can you be that, and also suggest quota and high tariff?

Senator MILLIKIN. You cannot have free enterprise if you are going to let your markets be engulfed by low-labor-standard countries.

Mr. KATZ. Switzerland is a higher labor-standard country than any country in the world, in my belief, except America.

Senator MILLIKIN. That is right.

Mr. KATZ. Except America, and the difference between the two, Senator Millikin, is approximately 40 to 50 cents an hour in our industry, and assuming that that is correct, and further assuming that it takes 4 to 5 hours to make a watch, and it does not take any longer, then you have got a difference in cost of approximately $2 to $2.50, which is more than made up by the present tariff.

Senator MILLIKIN. You said here that we are now in a position where there is really no competition.

Mr. KATZ. That is correct.

Senator MILLIKIN. And that is a springboard for the argument that since we are able to move ahead on our own steam we can use less of this competition.

Mr. KATZ. Yes; but we do not do that.

Senator MILLIKIN. You are talking about the consumers, that we should have the importations to benefit the consumer.

Mr. KATZ. Yes; that is correct.

Senator MILLIKIN. But you are getting our costs here down to where we can do it at approximately the same cost as Switzerland so that argument falls?

Mr. KATZ. No; it does not fall at all, because you say, do not permit any of the other watches to come in; let the present domestic companies that have shown inability to meet this market go ahead and charge the consumer what they will.

Senator MILLIKIN. I would not carry the doctrine to that extreme. I would let some of it come in, in part, to meet your point. They should not get too fat, and smug, in this domestic market, but I would not allow the thing to continue where three-fifths or two-thirds, whichever set of figures you want to use, is in the hands of foreign countries.

Mr. KATZ. Senator Millikin, I wonder if it would not be better, and I am asking it as a question, to let each country produce what it can best. No one competes with America in automobiles.

Senator MILLIKIN. I emphatically have the most violent difference of opinion with that.

Mr. KATZ. I certainly would not like to have that much of a difference with you.

Senator MILLIKIN. If you were here all morning, I pointed out to you that there is not a thing that we produce, not one thing that cannot be produced elsewhere, and yet your theory would wipe out the sugar business, would ripe out the oil business; your theory would wipe out the minerals; your theory would wipe out the agriculture. You are not talking to the right ran to make that kind of an argument.

Mr. KATZ. I did not make that kind of a statement either. We are talking about the watch industry. You see, Senator Millikin, your knowledge is very broad, and mine is very limited. I would like to stick to the watch business, please.

Senator MILLIKIN. I thought you had gotten away from the watches.

Mr. KATZ. I did not mean to.

Senator MILLIKIN. And announcing the general principle that you were doing that.

Mr. KATZ. We are talking about the watch business; I do not even know that very well. So let me stick to that.

Senator MILLIKIN. That suits me.

The CHAIRMAN. Go ahead.

Mr. KATZ. In view of the statement by Senator Millikin that both Mr. Lyne and I are wasting time, I do not like to waste certainly Senator Millikin's time on George Washington's Birthday. It really isn't necessary to finish this, because it is a repetition of everything that has gone on.

Senator MILLIKIN. I did not say you were wasting my time. I suggested that all of the parties to this group were wasting their time, not through any feeling that I have on the subject, but you will find that nothing is going to happen.

Mr. KATZ. I know I would like to meet you back there and ask you a question.

Senator MILLIKIN. I am just looking in this clouded crystal ball that I have, and I am suggesting that you ought to be out selling watches, because nothing will happen. All of you should be.

Mr. KATZ. That is an excellent thought, and I wonder why we all appeared here. How did this whole thing come up? May I tell you how? Because one company in America got itself in trouble, because of bad management, all of us came running down here, and most of us were trying to see how we can revive this sick child that has been sick for 25 years.

Senator MILLIKIN. The Federal Government fancies it has become the Lord, and the Lord looks after even the single fallen sparrow.

Mr. KATZ. Senator Millikin, I am very glad of that, because I may be the single fallen sparrow some day. So I am very happy about that.

Senator MILLIKIN. You bring your tin cup down, and we will fill it up.

Mr. KATZ. But I am not going to bring it down here to have my tin cup filled as long as I am in the manufacturing business, because I do not believe that Congress has a right, in my opinion, and I do not understand politics, to bolster one company by any loan of $6,000,000 or any other amount, when that company has failed to show its ability to stay in business.

Senator MILLIKIN. You ought to examine the RFC loan files.

Mr. KATZ. Does that mean we should add to the list, if it is bad? I am finished, Mr. Chairman, unless you have a question.

The CHAIRMAN. I have no questions.

Mr. KATZ. Thank you.

Senator MILLIKIN. You have been a very fine and interesting witness.

Mr. KATZ. I would still like to meet you off the bench. I want to ask you a question.

The CHAIRMAN. The committee will recess until 2:30 o'clock.

(Thereupon at 1:10 p. m., a recess was taken until 2:30 p. m., the same day.)

AFTERNOON SESSION

(Whereupon, the committee reconvened at 2:30 p. m., upon the expiration of the noon recess.)

The CHAIRMAN. Our first witness this afternoon will be Mr. James G. Shennan, president of the Elgin National Watch Co.

STATEMENT OF JAMES G. SHENNAN, PRESIDENT, ELGIN NATIONAL WATCH CO., ON BEHALF OF AMERICAN MANUFACTURERS OF JEWELED WATCHES, ELGIN, ILL.

Mr. SHENNAN. Mr. Chairman and gentlemen, my name is James G. Shennan, and I am the president of Elgin National Watch Co. The American manufacturers of jeweled watch movements are Elgin National Watch Co. of Elgin, Ill., which also has a plant at Lincoln, Nebr.; Hamilton Watch Co. of Lancaster, Pa.; and the Waltham Watch Co. of Waltham, Mass. The Waltham company filed a petition for reorganization under chapter 10 of the Bankruptcy Act last December 28, and has been shut down since the first of the year awaiting action by the Reconstruction Finance Corporation on its application for a loan. The Bulova Watch Co., although the largest importer of Swiss watches, also has jeweled watch-movement manufacturing facilities for a part of its product in this country. I understand that Mr. Daniel J. Lyne, one of the trustees of the Waltham Watch Co., appeared before your committee last Saturday and made a statement on behalf of the trustees of that company. I am, therefore, appearing primarily on behalf of the Elgin and Hamilton companies.

Let me make clear at the outset that we are talking only about the industry which completely manufactures its own jeweled watch movements in this country. We are not talking about nonjeweled watches; that is to say, the inexpensive type most people think of as the old Ingersoll dollar watch. The figures I will use exclude the imports of this type—the watches containing only one jewel or no jewel at all.

May I make two more things clear:

(1) We are not here to oppose the extension of the Trade Agreements Act. Neither are we opposing the general economic theory behind the trade-agreements program as a whole. We would, however, like to suggest that your committee give serious consideration to including in the bill a provision extending the escape-clause mechanism to existing agreements which do not contain escape clauses. Such clauses have been employed since 1942, but there are a few old treaties, including the one with Switzerland, which do not have them. Such clauses are required now by Executive order, but this is not retroactive. We feel that such a clause would give us greater assurance of favorable action to protect the industry by the administrative agencies than we now have.

The inclusion in the bill of a provision extending the escape-clause mechanism to trade agreements which do not now include them was also suggested by Senator Saltonstall at these hearings. This suggestion, likewise, would seem to be in accord with State Department

policy as expressed by Mr. Thorp, who stated, when he appeared before you last Thursday:

> Every effort has been made to include as broad and comprehensive safeguards as possible in the agreements, so that if events prove that mistakes were made, there will be ample means of correcting them.

Apparently Mr. Thorp has overlooked the fact that there is no such safeguard in the Swiss trade agreement. If this were done, it would make possible the modification of the concessions granted without the necessity of first terminating the treaty.

(2) We would also like to call your attention to the very critical situation confronting the American jeweled watch industry and the direct relationship that situation bears to the national defense. From this point on I would like to address my remarks to these aspects of the problem.

The industry has appeared before your committee on other occasions in recent years. You have also heard other witnesses discuss the industry at these hearings. You are, therefore, generally familiar with the issues involved in the controversy. Certainly there is no justification for there being a controversy between any American industry and its own Government, particularly when the national defense is so prominent a part of the problem.

In an effort to avoid repetition let me reduce what has been said about the industry here, and elsewhere, to a brief statement of the basic differences of opinion, as I see them.

These are two in number:

(1) Whether we have exaggerated our importance to the national defense, and is the industry presently adequate for this purpose.

(2) Whether or not the industry has been hurt by the trade agreement with Switzerland. This latter has various subconsiderations, such as the wage differentials here and abroad, profits of the importers of Swiss movements as against those of the American manufacturers, the reasons for the Waltham failure, et cetera.

(1) The national defense importance of the industry: Last November 30, when we were called to Washington for a conference with the National Security Resources Board, we were told at that time, by that Board, after they had made a thorough review of the Nation's industrial war potential, that the American watch industry was one of the four most important industrial problems they were facing. We were also told that, in the event of another war, we would have to supply all of the commercial grades of timepieces, as well as the military timing devices which would be needed; that they could not count on the import of civilian watches from Switzerland, as they did during the last war.

Gentlemen, the American watch industry, including the facilities at Bulova's American plant and the now-closed-down Waltham plant, were not adequate to fulfill the military demand alone during the last war, let alone the civilian demand, too, in the event of a future war. Is anyone in a better position to know the adequacy of our facilities than we, especially with the experiences of the last war so recently behind us? We simply do not presently have the capacity necessary for carrying out the National Security Resources Board's expectations. The importers themselves have conceded that neither they nor any

other domestic industry could make watch movements; with, of course, the exception of the Bulova plant on Long Island.

Any letter that we have seen, or heard about, which has come out of the military establishment since World War I, including the recent one from Secretary of Defense Forrestal, to which Mr. Thorp referred, has acknowledged the essentiality of this industry. Secretary Forrestal also states in this letter:

> It is true, as General Lutes pointed out in his letter of February 1, 1949, to Representative Thomas E. Martin, a copy of which I sent to you the other day, that the maintenance of at least a minimum level of operation by the American jewel-watch industry is vital to the defense of the United States, and should be preserved. (Congressional Record, Febrlary 8, 1949, p. 1013.)

What I am saying to you is this: That including Bulova's American plant, including a rehabilitated Waltham, even including the plant of another importer who has announced an intention of going into movement manufacturing here, we are not, nor will we be, at that "minimum level of operation" the military men are talking about, based on the plans of the National Security Resources Board.

There are some additional comments which I should like to add briefly to the foregoing:

(a) Other than Switzerland, this American industry is the only major source of supply in the world for jeweled watch movements and other products, primarily timepieces of military significance, which it alone can manufacture, such as ship's chronometers, navigation watches, stop watches and other highly precise time-measuring devices.

(b) Watch movements, and other presently unknown and intricate timing mechanisms, cannot be anticipated or stock piled except in the form of highly trained technical and engineering personnel in this industry, requiring in some instances as long as 3 to 5 years to create.

(c) Waltham is closed down. Its successful rehabilitation is, in our opinion, at least partially dependent on the creation of "equality at the border" of the United States between the cost of manufacturing American movements and the cost of importing Swiss-made movements.

(d) According to testimony before the Ways and Means Committee last month by an officer of the Bulova Co., it took them 8 to 10 years to get their Woodside, Long Island, plant into production (printed record of the proceedings before the House Ways and Means Committee, p. 646) and 20 years to get it on a paying basis (ibid., p. 647). That is entirely consistent with what we know about the difficulty of watch movement manufacture.

(2) The second major difference of opinion is regarding the injury to the domestic industry by the trade agreement with Switzerland.

Mr. Thorp stated that of the three firms which engage only in domestic manufacture—Elgin, Hamilton, and Waltham—two enjoyed record sales in 1947 and 1948 with net income comparing favorably with that of any previous year (p. 3 of the witness' mimeographed statement). He is quoting dollar figures which reflect the inflation in selling prices as well as a change to direct retailer distribution in the case of Elgin.

In 1941 the combined unit production of Elgin, Hamilton, and Waltham was 1,886,000. In 1947, the combined total was 1,582,000, and in 1948, 1,990,000. This shows an increase of 1948 over 1941 of

about 5 percent in a total market which has increased over 50 percent during the same period.

In both 1946 and 1947 the net profit as a percentage of sales was lower than 1940 and 1941 for both Hamilton and Elgin.

In order that the situation at Elgin and Hamilton may be clearly understood, we have not included Waltham sales and deficits because of the financial difficulties existing there. And may I add that we did that because we, too, think you should not mix horses and rabbits. In order to make sure that the picture is clear, we wanted to exclude those figures.

The information for Elgin and Hamilton is as follows, 1948 figures not yet being available:

Year	Combined sales	Combined net profits	Percent of of sales
1940	$20,148,461	$2,439,573	12.11
1941	26,115,805	2,508,245	9.60
1946	28,669,190	2,061,008	7.18
1947	37,753,381	2,220,442	5.88

I might point out that the percentage of net profit to sales, which Mr. Carnow said was the important figure, was 12.11 percent in 1940, 9.60 percent in 1941, 7.18 percent in 1946, and 5.88 percent in 1947, even though the dollar sales increased substantially.

We feel that the contrast between the net return on sales of these two American companies with those of the importers as disclosed in previous testimony is quite revealing.

The failure of Waltham is blamed entirely on bad management by Mr. Thorp and in the testimony of witnesses at the hearings before the Ways and Means Committee. These witnesses were importers. Mr. Thorp also stated that the company has had a history of financial difficulties and reorganizations. We understand from one of the trustees of the Waltham Co. that, until now, there have been no reorganizations since 1860. You have heard the statement of Mr. Lyne, one of the trustees of the company. Obviously, no one reason is the whole answer. But it is apparent to those of us who have actually faced the importer's competitive advantage, resulting from lower costs, that this factor is one of the important reasons for the present Waltham situation.

There is a substantial difference in labor costs here and in Switzerland, about 2½ to 1, resulting in a substantially greater cost of movements to the American manufacturer than to the importer of Swiss movements. There has been some vagueness on the question of Swiss labor rates during previous testimony by the importers. This is somewhat surprising inasmuch as the Swiss watch industry labor rates are a matter of public record.

Under the 1930 tariff, this industry held as high as 56 percent of the American market. After the trade agreement with Switzerland, 1936, and by 1941, this industry's share in the market fell to slightly less than 40 percent, including Bulova's sales of domestically made movements which did not begin, so far as we know, until 1935. The difference between our 40 percent figure and Mr. Lyne's 33 percent, results

from our including Bulova. And, gentlemen, the American industry could not sell its capacity during the years 1936 to 1941.

During the war years the market for watches expanded greatly in this country. We were completely out of the market while we were engaged in war work. The importers enjoyed a very lucrative business, made substantial profits, and tremendously increased their net worth. It is well known that they are using the additional revenue available because of the low cost of imported movements to extensively promote their brand names and build up their financial reserves. Nowhere has this been denied.

I might say here, however, that this morning that statement was denied.

These figures of the importer's earnings have been put into the record by other witnesses, so I will not repeat them here.

Consider those factors for a moment. Already they have resulted in holding the three exclusively American manufacturers to approximately their 1941 production; resulted in a substantial reduction in their net return on sales; resulted in reducing their share in an expanded domestic market; and resulted in permitting the importers to capture the entire increase in the expanded demand. What conclusion can you reach other than the fact that there has been a present injury to the industry? Would you say that a boy whose growth had been stunted by infantile paralysis, but who is still alive, had not been hurt? That, in effect, has been the attitude of the trade agreements organization toward our requests for relief. That is substantially what Mr. Thorp has told you in his statement. But, gentlemen, that boy will not make a good soldier.

This is the reason why we appealed to the Ways and Means Committee of the House to appoint a special subcommittee to investigate this situation. We are perfectly willing that our case be judged by an impartial study of the facts. It is not simply a matter of whether or not one, or two, or more business concerns in this country shall remain commercially vigorous. It is that, plus the building of a highly essential defense facility. This is the aspect of the problem which we feel not only justifies, but necessitates, in view of the attitude of the trade agreements organization, an investigation by a congressional committee.

We have tried to state the situation objectively and conservatively. Certainly, there are other considerations. But the condition at Waltham, the expectations of the National Security Resources Board of this industry, and the capabilities of this industry, as we in it know them to be, create a situation which on surface appearances alone should be investigated to determine the merits of the case as a matter of consequence to the general welfare.

I would like also to make an observation on certain other testimony that has been given to you during these hearings. This observation is with respect to the testimony for the establishment of a course in watch engineering at one or more of our technical colleges. I hope that some day the industry is large enough to warrant such a specialized course. Presently we could not absorb sufficient graduates per year to justify it.

Our present policy is to take graduates in mechanical engineering and train them in specialized watch engineering in our plants. In

addition, the personnel and facilities of the Massachusetts Institute of Technology, Armour Research Foundation, Mellon Institute, and Battelle Memorial Institute are all used by one or the other of the three companies, as well as the maintenance of large research and engineering staffs within their own organizations. I think that recent technical developments by the American industry, such as a revolutionary new mainspring and hairspring, line assembly, and improved lubrication, are ample evidence that the managements are alert, and are developing the engineering and research phases of their operations to the extent that earnings will permit.

A great many governments are attempting to reduce imports by quota or exchange restrictions. We are not asking this. Under the conditions that exist today we do not think this is the answer to the industry's problem.

The American jeweled watch industry is not seeking an advantage in the American market. Gentlemen, we ask only for equality at the border of the United States; we ask for realistic duties which will equalize the cost of a movement to the importer with the cost of a comparable movement made in America by American labor. From this point on, the material, labor, and other services required are, and should be, on a competitive basis. Correct these tariff inequities by giving us equality at the border. It will stimulate American movement production. It will attract others to the business. It may well attract Swiss importers to set up factories here. This we would welcome. It would stimulate competition. And furthermore, it would strengthen the defenses of this Nation by preserving and enhancing the skills necessary for the production of precision time mechanisms.

Mr. Chairman, I would like to make a few very brief comments on some of the testimony this morning. If you would prefer, I could do it now, and it might save some questions later.

The CHAIRMAN. Yes, sir.

Mr. SHENNAN. Insofar as the supplementary statement that the American jeweled watch industry made in connection with the hearings before the Ways and Means Committee is concerned, I have checked it over and I can see nothing in there that is not a fact. There are, perhaps, certain misapprehensions of what we were trying to say, and I hope I can clear them up as I go along.

This morning Mr. Carnow discussed the question of expansion. I think that it is fair to agree that in order for a company to be willing to invest substantial funds in expansion there must be some incentive and also some reasonable prospects of having good earnings on the money so appropriated.

It is my own personal opinion, in the case of the importer who is manufacturing here, and the importer who has announced an intention of doing so, that it is possible for them to underwrite their expansion through these greater profits on their imports. That is not possible for us.

I might also say that I think it is a fine thing that they are establishing manufacturing facilities here. I think it is a good thing, because certainly it is simpler for us to compete with them if they manufacture here, for one thing; and secondly, it is a good thing for the national defense. More power to them.

In connection with the argument on the adverse balance of trade in Switzerland, I don't know whether that is important to the present question, but I have been told on good authority that a large percentage of the exports of the United States of America to Switzerland consists of gifts and charity. I have no figures on that. Also, there is a certain amount of that which is reexported from Switzerland. And I would like to suggest that if it is of any interest to the committee, the Tariff Commission might be able to shed some light on that question.

Mr. Carnow talked about how long it takes to train employees in this industry. I had a feeling that the basic point, in my opinion, was being missed; that actually it isn't so much the people who work on the watches that it takes a long time to train, but it is the technical personnel that have to back them up, the engineers, the toolmakers, the technicians, the supervisors, perhaps the watch adjusters, the men who do the very fine work on the timepieces.

Senator MILLIKIN. Mr. Chairman, may I ask a question?

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. What is the term of apprenticeship in the watchmaking craft?

Mr. SHENNAN. In the mechanical trades, such as diemaker or toolmaker, the term of apprenticeship is 4 years, at which time the apprentice is capable of doing what we would call middle-class work. The training period for a watch adjuster, who is a man who actually works on the watches to "fine them up," and get them to time, particularly on the precise military instruments, would be, I think you could say, anywhere from 1 to 5 years, depending upon the complexity of the movement. A chronometer would take a very high degree of skill, and an ordinary wristwatch something less.

There has been considerable discussion about the cost of manufacturing movements, and it is the manufacturing of movements that is important, because that is the part of the industry that does the war work. It seems to me that as far as we are concerned, we don't see much point in fighting that out. If our request before the Ways and Means subcommittee is granted, we would be glad to submit audited costs. And I think Mr. Carnow is absolutely correct, you can't compare costs unless you know what goes into them. We would be glad to show what goes into our costs.

Senator LUCAS. Did you get any favorable response from the Ways and Means Committee as to your request for a special subcommittee to go into this?

Mr. SHENNAN. We have had no definite answer. There have been reports both ways in the papers. But they have not told us that they would not appoint such a subcommittee.

As to the list of products included in Mr. Carnow's statement, I want to say that I certainly wouldn't deprecate the war work that any industry in the United States did, and I certainly wouldn't depreciate the war work of the importers.

I would like to point out, however, that of the time pieces in that list, so far as I know they were all made by the Bulova Watch Co. plant in Long Island, and we have always maintained that that is a valuable plant to the national defense. I noticed ship's chronometers were on that list, and I was quite surprised, because I didn't know that anyone in the importing industry had made any ship's chronometers.

In Mr. Katz' testimony, he made the statement that Elgin was misstating their profits, inasmuch as the profits we showed were after the expenditures for building a new plant and equipping it.

Well, gentlemen, the capital expenses, over and above the depreciation allowances, permitted under Internal Revenue regulations, come out of net profit, after taxes. They are not deducted before you show your net profit after taxes.

The expansion he discussed from 1946 to 1947 in Elgin and Hamilton sales was due to the fact that we were still in the process of reconversion.

There was a lot of discussion about advertising expenditures this morning. Mr. Katz indicated that he could hit closely at what Elgin's advertising expenditures were. And he was pretty close. I don't mind stating that we spent about a million and a quarter dollars last year in advertising. I think that anyone in the business can find that out quite readily.

There was some discussion about the duty on 21-jewel movements being too high. Our suggestion previously was that we think the question of duties on each of the various grades and classifications by quality, jeweling, etc., should be studied. Mr. Katz assumed that the increase in tariff would eliminate imports. I am unable to follow the reasoning on that. I think that there is a demand, and if their costs would be comparable with ours, I don't see why they would be eliminated. Likewise, I don't think you could necessarily conclude that prices would hit the sky.

Mr. Katz also said that 3,000,000 of the imports quoted do not compete with the American jeweled watch industry, and I presume he is referring to what is known as the zero to 7-jewel classification. In the first place, we do not include imports in the zero to 1 classification, because we feel they compete with the Ingersoll or Westclox type of watch.

But we do include the imports in the two- to seven-jewel classification, which I think do compete with us because, for example, they drove Elgin out of the seven-jewel business, which had once been a very large part of our business. And we could not compete in that classification any longer.

That, in general, is the statement I would like to make, gentlemen, and I would be very happy to answer any questions you might have.

Thank you.

The CHAIRMAN. Your company continued the making of watches during the war period, along with other instruments that the armed services required? Is that right?

Mr. SHENNAN. Yes, sir. We made military timepieces, and we did finish up and sell some watches which were in process at the time the war work hit us.

The CHAIRMAN. Was your working force in the time-measuring-device department reduced during the war?

Mr. SHENNAN. Very slightly. We made a smaller number of units, because a lot of the military timepieces took a great many more man-hours than an ordinary commercial watch; but, to the best of my knowledge, the working force was very nearly the same.

The CHAIRMAN. It remained during the war the same?

Mr. SHENNAN. Yes, sir.

The CHAIRMAN. Senator Lucas, any questions?

Senator LUCAS. Well, I should like to ask the witness, Mr. Chairman, a question or two.

From this prepared manuscript that you have read to the committee, Mr. Shennan, I understand that you have no objection to the extension of the Trade Agreements Act and that you are not opposing the general economic theory behind the trade-agreement program as a whole.

Mr. SHENNAN. That is correct, Senator Lucas.

Senator LUCAS. You are merely complaining to this committee about an injury which you feel has been done to your industry, because of the trade agreement that now exists between this country and Switzerland.

Mr. SHENNAN. That is true, sir. I question whether we could set any broad policy in our own company without occasionally having to make some exception to it.

Senator LUCAS. If I understood your direct statement correctly, you would be satisfied if we had in this agreement an escape clause which has been employed by this Government since 1942, but which was not included in the original treaty that was signed between this country and Switzerland.

Mr. SHENNAN. Yes. We recommended that this committee give that serious consideration, because we felt that, if that were included in the Swiss agreement, it would be somewhat easier for the State Department to negotiate some beneficial change in regard to watches, without abrogating the entire treaty.

Senator LUCAS. Have you ever discussed that with the State Department, as to what the State Department has done, if anything, along that line in negotiating with Switzerland to obtain that sort of relief?

Mr. SHENNAN. Mr. Mote, my counsel, says that we have suggested that they terminate the agreement, so that an escape clause could be included; but no action was taken.

I beg your pardon, sir. He says we have asked them to terminate the agreement and adjust the duties. I might plead a little ignorance on what has gone on in the past, Senator Lucas, because I am fairly new at this end of our business.

Senator LUCAS. You have only been president of this company a short while?

Mr. SHENNAN. Yes, sir; less than a year. And, although I have been with the company a long time, I was not so concerned with this aspect of our affairs.

Senator LUCAS. Is it not true that the Elgin Watch Co. filed a complaint with the State Department back in 1946?

Mr. SHENNAN. 1944, Mr. Mote says.

Senator LUCAS. What was the nature of that complaint, Mr. Mote, if I may ask you that question?

Mr. MOTE (LeRoy A. Mote, assistant secretary, Elgin National Watch Co.). In our formal complaint, we asked them to review the situation with respect to the watch duties and to give us such relief as an investigation of the case warranted.

We did not attempt to dictate the type of relief that we wanted, but we did ask that they review our situation under the trade agree-

ment, because we saw the postwar period coming on, and there had been these very heavy importations of Swiss watches during the war. And it was our feeling, of course, that the watch market was being currently satisfied so that there would be no backlog of demand for our products, as there would be in the case of other industries, such as the automobile industry, who had no foreign products coming in to satisfy their market during the war.

Senator LUCAS. Did you get any real relief under that complaint that you filed?

Mr. MOTE. No; we did not, Senator Lucas, get any effective relief. Occasion was taken to call in the Swiss. And this was some 2 years later, I might say. It took 2 years to get this far with the procedure. The Swiss were called in, and were asked to impose an export quota on the watches coming to this country; and on April 22, 1946, there was an exchange of notes between the two Governments, in which, among other things, the Swiss agreed to limit their direct exports to this market to 7,700,000 units.

Now, that was based on the direct exports to this country in the preceding year, which were an all-time high.

You understand that, in addition to that, there were imports of watches coming into this country through third countries, which are referred to as indirect imports.

Senator LUCAS. Let me ask you, right on that point: Do you have any knowledge as to whether or not the Swiss had knowledge of those indirect imports that were coming into this country?

Mr. MOTE. I personally do not have such knowledge. I have understood, of course, that they knew it; but I can't say of my own knowledge.

Senator LUCAS. How many watches came into this country, according to statistical information, as indirect imports?

Mr. MOTE. In the year 1946, there were 1,185,000 such watches indirectly imported into this country.

Senator LUCAS. That was over and above the gentlemen's agreement they had with respect to the limitation of exports to this country to 7,700,000?

Mr. MOTE. That is correct; and there was, in the gentlemen's agreement, as you characterize it, sir, an undertaking to limit as much as they could the indirect imports, so that the 7,700,000 would not be circumvented; so that as a quota it would mean something.

Senator LUCAS. In other words, if I understand that correctly, we imposed no import restrictions at that time, but they did not live up even to their agreement on export.

Mr. MOTE. On the basis of United States import statistics, that is correct; no, sir, they did not.

Senator LUCAS. Well, I should like to have Mr. Thorp or someone from the State Department make an explanation of the reason why the Swiss Government failed to continue to live up to that agreement, and I should like to know if he can tell me why it was oh how it was that these 1,185,000 watches were indirectly imported into this country. They were imported through other countries, but they were Swiss watches which came in; which seems to me to be a very interesting and a very unusual situation.

Mr. MOTE. Actually, the imports in 1946, total imports, were 9,655,000, which I think was the peak of all times.

Senator LUCAS. There was one other question, Mr. Shennan, that I wanted to ask you with respect to page 7 of your manuscript.

Your tabulation there of percent sales, showing a downward trend from 1940 to 1947, is rather interesting, even though your combined sales in 1947 was at an all-time high, apparently.

Mr. SHENNAN. Yes, sir.

Senator LUCAS. What does your percent of sales look like for 1948?

Mr. SHENNAN. Senator Lucas, those figures are not yet available; but, speaking for Elgin, there would be very little difference.

Senator LUCAS. Very little difference this year?

Mr. SHENNAN. Yes. The annual reports are not out yet; but I wouldn't anticipate any material difference.

Senator LUCAS. Well, it would not take your company long, if they continued to decrease, to get down to the spot where Waltham is; would it?

Mr. SHENNAN. Well, I wouldn't like to predict that. It is my job to see that it doesn't.

Senator LUCAS. You have gone from 12.11 down to 5.88 in 4 years, there, when you have been making watches, and I just wondered how long that decline was going to continue.

Mr. SHENNAN. We think it is on the danger point. In order to be healthy, to build up your financial strength, to have the money available for a vigorous merchandising campaign, which I think we know how to carry on—we are a little short on money to do all we would like—I think you would have to get a better percentage of return on your sales than 5.88 percent.

Senator LUCAS. Well, I should think so too. And just what this committee can do about that remains to be seen, but I think you are presenting a rather interesting problem to us, and the Senator from Illinois is certainly interested in the watch industry throughout America from the standpoint of national defense, if nothing else. I am interested also, of course, in seeing all industries thrive and prosper and make a decent profit. But it does seem to me that this industry, as valuable as it is to the national defense of the country, is one that the Congress of the United States cannot let down under any circumstances. That is the way I personally feel about it.

You say, on page 8 of your manuscript, that you could not sell your capacity during the years 1936 to 1941.

Mr. SHENNAN. Yes, sir.

Senator LUCAS. In other words, with all the advertising that you could do, and all of the salesmanship that you had, you were not able to sell to the American people the capacity of your plants at that time.

Mr. SHENNAN. That is absolutely true.

Senator LUCAS. How were your profits, along about that time?

Mr. SHENNAN. They were considerably better than they are now. We show for 1940 about 12 percent. I think except for the year 1938, which was a bad year for almost everyone in the country, our profits were somewhere in that neighborhood for that period. But since that time, of course, there has been a tremendous increase in labor costs and in the cost of other things we buy, and a much lesser

increase in our selling price; which is "the squeeze," as it is known in business. Everybody is getting it, and we seem to be getting it a little more than others.

I would like to add this comment, Senator Lucas, if I may: As long as I have been with this company, which is almost 17 years, I can't remember a single day when we have not been constantly working on reduction of our costs and increasing our efficiency. I can say that without any reservation whatever. And, under our management, I hope we can redouble our efforts to reduce our costs and increase our efficiency.

Senator LUCAS. You are talking about a squeeze. You fellows got squeezed out during the war; did you not?

Mr. SHENNAN. Yes; we were substantially off the market for almost 5 years.

Senator LUCAS. From the standpoint of producing watches?

Mr. SHENNAN. Yes, sir.

Senator LUCAS. And at that time the importers enjoyed this lucrative business that you fellows had been enjoying all this time.

Do you believe that the failure of industry to make watches during that time had a very detrimental effect on the future of your business?

Mr. SHENNAN. Well, we feel that it did have a detrimental effect. I don't know of anyone who can tell you what percentage. But I think it is always serious for any nationally advertised brand to be off the market for any reason whatever; and I would suspect—and this is purely personal opinion—that one of the impelling reasons for an importer to set up a plant in the United States would be to have some protection of his brand name, to have some production in case of trouble in Europe. And if I were in their shoes, gentlemen, I certainly would do it.

Senator LUCAS. But it is a fact that the importers made the money, with these imported watches, while the watch industry of the country during the wartime was making watches for war purposes, military purposes.

Mr. SHENNAN. That is perfectly true. And, of course, with all other domestic industries, our profits would be subject to Government control at that time.

Senator LUCAS. And also taxes.

Mr. SHENNAN. And taxes. Well, that is another way of controlling them.

Senator LUCAS. Your statement, there on page 10, interested me, when you say:

> This observation is with respect to the testimony for the establishment of a course in watch engineering at one or more of our technical colleges.

From that statement, I take it that there is no college in the country that has such a course at the present time.

Mr. SHENNAN. There is none whatever, anywhere in the country. I might say that I have had considerable correspondence with that particular witness on this subject, and I attempted to point out the situation to him: Suppose we took one man a year, a highly trained man of this sort, out of such a course. Of course, each year you would be adding another. And I think that in any business there is a limit to how much engineering you should have. I just felt that there is not enough outlets for graduates for a university to set up such a

course, which is expensive, or for inducing a boy to take the course. I think the second best thing is to take a generally trained engineer and then give him a very intensive program of training; which we do, consisting of some 2 years of going all over the plant in all departments, and then going into a department. I feel that that is a very good substitute, and a more typically American way of meeting the problem than the Swiss system of specializing from the time you get into high school.

Senator LUCAS. Well, in view of the importance of the watch industry to national defense, it seems to me that your suggestion has much merit in it.

That, I think, is all, Mr. Chairman.

The CHAIRMAN. Any questions?

Senator Millikin?

Senator MILLIKIN. To illustrate how carefully the Swiss Government protects its watch industry, I am reading from a report signed by George R. Ganty, first secretary of legation, and Jean D. Brennan, economic assistant, of our legation at Bern. The report is dated January 5, 1949. I will offer the whole thing for the record, but I will read the summary of those two gentlemen. It says:

The protective decree currently in force—

that is, the protective decree of the Swiss Government—

covers four main points, i. e.:

1. The limitation of immoderate expansion of the watchmaking industry through a permit system.
2. The regulation of work performed outside of factories.
3. The control of exports of watches and watch parts.
4. The establishment of minimum prices in the industry.

Then the comment goes on:

It is apparent from the communique of the Department of Public Economy that the Federal Government does not propose to abandon its special protection of the watchmaking industry, the traditional mainstay of Swiss foreign trade. Such protection has been in effect for 15 years, the basic legislation in this respect dating back to the Federal decree of October 14, 1933, regarding economic defense against foreign countries.

Although a high level of production and employment has been attained in the Swiss watchmaking industry, increasing payment difficulties and the prohibition on the part of more and more foreign outlets against the import of luxury goods for want of foreign exchange have led watchmaking and also Government circles to believe that this is no time to withdraw legislative props from under the industry. On the contrary, as stated in the reference communique, the 3 years during which the present decree is to continue will be used to review the situation and to draft permanent legislation with the aid of representatives of the industry. Such legislation would, presumably, be based on the so-called economic articles of the Federal Constitution, in particular article XXXI, which stipulates that the Federal Government may intervene if an "important branch" of the national economy is "menaced," provided no "attack on the general interest" of the country is involved.

It simply poses our own problem in reverse. The Swiss Government, in its own way, is taking steps to protect its domestic watch interests, whereas the question here is: Are we doing the same thing to protect our domestic watch interests?

Mr. SHENNAN. I think you will find, sir, that the Swiss Government is also making very strenuous efforts to reestablish their watch industry.

Senator MILLIKIN. Yes. And I may say that the spirit of that decree runs counter to the present conception of the State Department on internal control of exports.

This morning there was testimony that the Gruen Co. has completely set up a watchmaking factory, in about 1 year's time. How would you relate that to your testimony that it took the Bulova people 8 to 10 years to get their Woodside, Long Island, plant into production, and 20 years to get it on a paying basis?

Mr. SHENNAN. Well, the statements in regard to the Bulova plant were made by an officer of the Bulova Co. I think perhaps the urgency might have something to do with it. And likewise, what do you mean by "getting into production"? In other words, how many watches are you making, as contrasted to the day that the first watch will come off your assembly system?

I have no knowledge whatever of Mr. Katz' plant in Long Island. I, in my supplementary brief, simply said what I though I had heard him say. However, I do have a little experience in making watches, and I know that it is very difficult to get into profitable production. You can get out a watch, or some watches, but to get them rolling, and get them so they are right, at a cost, is a long job. I think that experience will probably show that.

Senator MILLIKIN. Building a factory does not make a successful business, does it?

Mr. SHENNAN. That is right. The factory is the walls, and you have to put machinery into it, but machinery and walls never made any watches. Only people make watches, and they have to be trained.

Likewise, I think there is some advantage if you can get your designs, and likewise machine drawings and tool drawings all ready at hand, which I presume that the Gruen Swiss plant certainly would have. We have to do all of that ourselves. And I suppose they do that over there.

I really don't know anything about his operations, so I am not in a position to answer any questions. I don't even know where it is.

Senator MILLIKIN. During the testimony, is it planned to convert the specific duty into its ad valorem equivalent? Does anybody intend to do that?

Mr. SHENNAN. I think that would be one of the approaches. One of the difficulties we have had is that the specific duty has certainly decreased percentagewise due to inflation, devaluation, and other factors.

Senator MILLIKIN. Then I would suggest that I will ask, with the chairman's permission, to put in a sheet which I have from the United States Tariff Commission, which shows that when you reduce your specific duty to ad valorem equivalent, there has been a constant decrease in the tariff from 1937 to practically the present time.

In other words, for watches and watch movements without jewels, or having only one jewel, a tariff in 1937 of 70.6 percent in terms of ad valorem equivalent is now 58.4 percent. For those having more than one, but not more than seven jewels, a tariff in 1937 of 68.2 percent in terms of ad valorem equivalent is now 32.9 percent; for those having more than 7 but not more than 15 jewels, a tariff in 1937 of 59 percent in terms of ad valorem equivalent is now 35.3 percent. For those having more than 15 but not more than 17 jewels, a tariff

in 1937 of 71.5 percent is now in terms of ad valorem equivalent 35.6 percent. Almost, in terms of ad valorem equivalent. your tariff has been decreased practically half in that period of time.

May I put this in the record, Senator, please?

The CHAIRMAN. Yes.

(The material referred to is as follows:)

Watches and watch movements

[Ad valorem equivalent]

	1937	1946	1947	1948
Without jewels, or having only 1 jewel	70.6	56.8	61.3	58.4
Having more than 1, but not more than 7 jewels	68.2	36.4	32.4	32.9
Having more than 7, but not more than 15 jewels	59.0	33.7	35.9	35.3
Having more than 15, but not more than 17 jewels	71.5	35.2	35.6	35.6
Having more than 17 jewels	23.3	18.5	14.8	26.0
Total	68.4	35.5	35.4	35.7

Source: U. S. Tariff Commission.

Senator MILLIKIN. I would also like to put into the record the document from the American Legation at Bern, from which I previously read.

The CHAIRMAN. Very well.

(The document referred to is as follows:)

[Unclassified]

THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

AMERICAN LEGATION, BERN, *January 5, 1949.*

Reference: Voluntary.
Enclosures: None.
Via: Air-mail pouch.
Subject: Continued protection of Swiss watchmaking industry decreed.
Prepared by Jean D. Brennan, economic assistant.

Reference is made to the Legation's Report No. 101, dated December 3, 1948, entitled "Legal Protection of Swiss Watchmaking Industry," in which were transmitted as enclosure No. 1 the remarks of Mr. P. Renngli, director of the Societe Generale de l'Horlogerie Suisse S. A., on the necessity of continuing such protection.

On December 23, 1948, the Swiss Department of Public Economy issued a communique extending until the end of 1951 two decrees of December 21, 1945, protecting the watchmaking industry and regulating work performed outside of factories. The communique reads, in free translation, as follows:

"Following proposals submitted to it by the watchmaking cantons and the concerned employers' and employees' associations, the Federal Council has extended its decree of December 21, 1945, protecting the Swiss watchmaking industry, as well as its decree of the same date regulating work performed outside of factories in that industry.

"These two decrees are found on the Federal decree of October 14, 1933, regarding measures of economic defense against foreign countries. This decree cannot be renewed after December 31, 1951. The interim period will be used by the Federal Government to draft new legislation, in collaboration with the interested associations, founded on the economic articles of the constitution, to protect the watchmaking industry.

"The decree of December 21, 1945, subjects to a permit the establishment of new watchmaking enterprises, the enlargement or changing the locations of existing enterprises, and the export of watches and parts thereof. It permits, as well, the fixing of minimum prices in the watch industry, 95 percent of the products of which are exported. In the renewal of this decree certain alleviations have been

made in these requirements. Thus from January 1, 1949, a permit will no longer be required to enlarge existing premises. Firms which have complied with the necessary requirements in order to be registered as watchmaking enterprises will no longer be obliged to maintain documentation concerning their business beyond the period prescribed by the Federal Code of Obligation. In addition, certain operations have been added to the list of work that may be performed at home in order to take account of the situation on the labor market.

"Lastly, a new provision will permit customs authorities to intervene in the suppression of fraudulent exportations."

The protective decree currently in force covers four main points, i. e.,

1. The limitations of immoderate expansion of the watchmaking industry through a permit system.
2. The regulation of work performed outside of factories..
3. The control of exports of watches and watch parts.
4. The establishment of minimum prices in the industry.

It is apparent from the communiqué of the department of public economy that the Federal Government does not propose to abandon its special protection of the watchmaking industry, the traditional mainstay of Swiss foreign trade. Such protection has been in effect for 15 years, the basic legislation in this respect dating back to the federal decree of October 14, 1933, regarding economic defense against foreign countries.

Although a high level of production and employment has been attained in the Swiss watchmaking industry, increasing payments difficulties and the prohibition on the part of more and more foreign outlets against the import of luxury goods for want of foreign exchange, have led watchmaking and also Government circles to believe that this is no time to withdraw legislative props from under the industry. On the contrary, as stated in the reference communiqué the 3 years during which the present decree is to continue will be used to review the situation and to draft permanent legislation with the aid of representatives of the industry. Such legislation would, presumably, be based on the so-called economic articles of the federal constitution, in particular article 31, which stipulates that the Federal Government may intervene if an "important branch" of the national economy is "menaced," provided no "attack on the general interest" of the country is involved.

JEAN D. BRENNAN, *Economic Assistant.*

Approved:

GEORGE R. GANTY,
First Secretary of Legation.

Senator MILLIKIN. With reference to that 7,700,000 gentlemen's agreement, you say that it was exceeded by indirect imports?

Mr. SHENNAN. Well, judging from the total imports recorded in this country by the Tariff Commission, they exceeded the quota by a very large quantity.

Senator MILLIKIN. What are the mechanics of this indirect process?

Mr. SHENNAN. That would be to export to some other country than the United States, and then bring them into the United States from the other country.

Senator MILLIKIN. That would also indicate that there was enough leeway in there to make a middle profit.

Mr. SHENNAN. I think they could probably go to a free port and then have them reexported to this country.

Senator MILLIKIN. But in any event, so far as watches reaching this country are concerned, direct and indirect, the gentlemen's agreement was substantially exceeded.

Mr. SHENNAN. The agreement was to limit the direct exports to 7,700,000, but the direct imports were 8,425,000, which is 725,000 above the agreement, and in addition, there were 1,185,000 imported indirectly during that time.

Senator MILLIKIN. From Switzerland?

Mr. SHENNAN. Well, they were watches of Swiss origin.

Senator MILLIKIN. I see.

Was there not a deal at one time for a 3,000,000-movement agreement.

Mr. SHENNAN. At the time this agreement was being negotiated, there was a request for a limitation of imports to 3,000,000 watches. That is correct.

Senator MILLIKIN. And did that not progress rather favorably for a time?

Mr. SHENNAN. We were told that there was a favorable attitude toward it, but it finally turned out to be 7,700,000.

Senator MILLIKIN. Do you know whether the 3,000,000 deal was killed at this end of the line?

Mr. SHENNAN. I don't really know where it was killed, sir.

Senator MILLIKIN. My information is that it proceeded to a practical point of agreement and was stopped through influences in the executive department of the Government, here.

Mr. SHENNAN. Well, I have head that, but I don't know that.

Senator MILLIKIN. Is there any documentation of that any place?

Mr. SHENNAN. Mr. Mote?

Mr. MOTE. I don't think there is any.

Senator MILLIKIN. Now, Mr. Katz this morning said that practically speaking you can manufacture a watch here, with a few cents difference, as cheaply as you can in Switzerland. Do you agree with that?

Mr. SHENNAN. No, sir; I do not agree with that.

Senator MILLIKIN. What do you say is the differential?

Mr. SHENNAN. I say that the differential for a watch of comparable quality would vary from 2 to perhaps 4 or 5 dollars, depending upon the characteristics of the watch. That is a very broad figure. My feeling is that in order to determine it exactly you would have to have actual costs, and know what they included. But I think it is probably from 2 to 5 dollars.

Senator MILLIKIN. There has been considerable testimony here to the effect that part of your difficulties are due to the fact that you have not kept in step on styling and making modern watches having sales appeal. What is your response to that?

Mr. SHENNAN. Naturally, I wouldn't agree with that statement. I think that the American industry has been progressive both technically and otherwise. I think that the mere fact that a certain company can spend a great deal more money per unit, let's say, on advertising than we can, doesn't necessarily mean that we don't appreciate the advantage of doing that. I rather resent the statement that because we don't do that we are backward. We can't do it. We don't have the money. I don't know whether they should spend as much as they do. Personally, I would rather try to be an expert only on my own company and not on somebody else's company.

Senator MILLIKIN. There was a statement by a witness to the effect that you fellows should get down on your knees and thank God for the Swiss importations, because they had popularized the watch in the American market. And I think there was specific reference to the wrist watch.

Mr. SHENNAN. Well, sir, that was quite a while before I was in the business, and I do know that the wrist watch was first introduced in

any quantity during World War I, and there was some drop-off in popularity after the war, and then it picked up again. And as to the exact point of whether the American watch companies picked up their production of that watch as fast as the importers did, I don't know. But they certainly were not far behind.

Senator MILLIKIN. Do you make a wrist watch?

Mr. SHENNAN. Oh, yes. Whoever said that was referring to probably the period between 1920 and 1924, which is some 24 to 28 years ago.

Senator LUCAS. The dollar Ingersoll watch was very popular in World War I.

Mr. SHENNAN. Yes, sir, and where are the Ingersoll watches now? I think they have been forced out of the market; the price is $2.50 now, instead of a dollar.

Senator MILLIKIN. What has happened to the Ingersoll? What is the next equivalent watch to the old Ingersoll?

Mr. SHENNAN. There are some equivalent watches on the market at something like a 2½- to 3-dollar price. The people at Ingersoll have said that they expected to import watches, that they can't make them in competition.

Senator LUCAS. Does it take a fellow 3, 4, or 5 years to know how to make an Ingersoll?

Mr. SHENNAN. Yes, sir. There is considerable skill involved in making those watches.

Senator LUCAS. I do not see how they could sell them for a dollar.

Mr. SHENNAN. It takes a lot of good engineering and technical skill to make those watches. I don't think it takes quite as high a skill in assembling the watch, but the skill is in the tooling and the design. And those plants are very, very highly mechanized and well organized.

Senator MILLIKIN. Do you confirm that there are certain types of Swiss machinery that would be good for our domestic producing industry if we could get them, and that Switzerland embargoes them?

Mr. SHENNAN. Well, I agree that to all practical purposes they embargo them, because the agreement under which they are willing to lease them is just something that the average American businessman can't see his way clear to sign; although Waltham did sign such an agreement.

Now, since we knew we were not going to be able to get them, we have designed and built, and had built for us here, the machinery that we need. If we had been able to get them from Switzerland, we could have saved time, principally. After all, we pretty well wore out some of our machines during the war, and could not stop and build new machines to keep up the normal depreciation replacement. So it would have been very advantageous for us to be able to go over there where the machines were available and buy them and get going faster.

We could not do that, so we had to take the time to start out from scratch and get them built.

I don't think that there is a machine that they can build that we can't build. But there are a great many more people in Switzerland who devote their entire time and thought and energy to developing special machinery for these purposes; whereas in this country there are only the American companies that are interested and can afford to

devote it. So they have a great many more people working on it, and the Swiss are good engineers, and very clever machine builders, and they have built fine machinery.

I don't think it is any better than the American machinery. It usually costs less. You can usually get it in stock, whereas we have to build it. However, we have built our own machines. We felt in all fairness to the effort of this industry in the war for the United Nations we ought to get some help from Switzerland when we needed it, and they apparently didn't agree.

The CHAIRMAN. Any questions, Senator Byrd?

Senator BYRD. How many watches does Switzerland make a year?

Mr. SHENNAN. In the categories that we are discussing, I am going to have to guess, but it must be between 20 and 30 million.

Senator BYRD. How many does this country make?

Mr. SHENNAN. We made a little over 2,000,000, from 2 to 2½ million, in the same general classification, quality watches.

The CHAIRMAN. Thank you, Mr. Shennan.

Mr. SHENNAN. Thank you very much for your courtesy and attention.

The CHAIRMAN. Mr. Stanley Ruttenberg, I understand, is delayed.

Mrs. Margaret F. Stone?

Mrs. Stone, will you come forward, please?

You may be seated and give your name and the organization which you represent to the reporter.

STATEMENT OF MARGARET F. STONE, CHAIRMAN OF LEGISLATION, NATIONAL WOMEN'S TRADE UNION LEAGUE, WASHINGTON, D. C.

Mrs. STONE. My name is Mrs. Margaret F. Stone, and I am the chairman of legislation of the National Women's Trade Union League.

Mr. Chairman and members of the committee, the National Women's Trade Union League urges adoption of H. R. 1211, which would repeal the Trade Agreements Extension Act of 1948, and extend the original Reciprocal Trade Agreements Act for a period of 3 years from last June 12.

The trade-agreements program provides the basic machinery for achieving increased world trade, and we base our support of the program on two broad reasons:

(1) We believe that a free flow of international trade—both exports and imports—makes for a higher standard of living in our own country; and

(2) We believe that economic recovery and peace itself are closely connected with increased world trade.

Our organization has actively supported the trade-agreements program since January 1938, and our members, therefore, have had a chance to watch its administration over a period of 11 years. A large part of our membership is composed of women working in industry, and in the early years of the program some members were greatly concerned over individual items in the agreements.

Senator MILLIKIN. May I ask: How many members have you in your organization?

Mrs. STONE. It is hard to say, because it is a federation of trade unions with women members, and the membership of the trade unions perhaps overlap some. We have about a million members.

Senator MILLIKIN. Thank you very much.

Mrs. STONE. In our local league there are about 25,000 members. We have local leagues, as well as our federated union, and then we have individual members who are in sympathy with our objectives to better working conditions for women.

In the early years of the program, as I say, some members were greatly concerned over individual items in the agreements. For example, we have quite a few boot and shoe makers and also glove workers, and these women were afraid that cheap shoes and gloves from abroad would flood American markets, and they would lose their jobs. Our national office delved into the available facts and figures at that time, and were able to show our members that in spite of a few individual hardship cases—which there were—the over-all picture on employment showed a substantial rise in the industries involved in producing items covered in the various trade agreements. Many figures to substantiate this fact were given by the then Commissioner of Labor Statistics, Dr. Isador Lubin, in his testimony before the House Ways and Means Committee at the 1940 hearings on extension of the act.

At the same hearing, I, myself, in testifying for the National Women's Trade Union League, gave figures to show that wages in the export industries are, in general, much higher than in the so-called protected industries.

In other words, the old saying that higher tariffs mean higher wages, doesn't hold true.

The tables of current labor statistics published in the Monthly Labor Review continue to corroborate this point from month to month. In looking at the figures for September 1948, I found that the estimated average hourly wage in all manufacturing industries—and that is both export and protected industries—was $1.362, and was higher than the hourly wage in most of the protected industries listed. It is the efficiency of an industry, in large measure, that determines wages, and that makes it possible for an industry to compete successfully with low-wage rates in foreign countries.

Besides these factors of employment and wages, with which our members are especially concerned, all women are affected by tariffs as consumers. The league believes that the interest of consumers, for the first time in the history of tariff making, is protected by the procedure set up under the original Trade Agreements Act. This 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.

On the international side, the trade-agreements program is an important link in the whole economic recovery program. The United States, as you gentlemen know, requires that the European countries participating in the economic cooperation program lower trade barriers among themselves; we, obviously, should require of others only what we are willing to do ourselves, and should lead the way in this respect.

To sum up: The members of our organization are for the trade-agreements program in its original form—as workers, as consumers, and, finally, as humanitarians who want to see every pillar in the foundation of world peace made as strong as possible; and we know that an expanding world economy, made possible by the establishment of conditions essential to the rehabilitation of trade and production throughout the world, is one of the great pillars of peace. In the final analysis, we are for it as citizens interested in the future welfare, safety, and happiness of the American people. We, therefore, urge favorable action on H. R. 1211.

The CHAIRMAN. Thank you very much for your statement.

Are there any questions?

Mrs. STONE. Mr. Chairman, may I also file a statement in behalf of the National Council of Jewish Women? Their headquarters are in New York, and they asked me if I would file a statement for them when I appeared before this committee.

May that be included in the record?

The CHAIRMAN. It will go into the record.

(The statement referred to is as follows:)

STATEMENT OF THE NATIONAL COUNCIL OF JEWISH WOMEN IN SUPPORT OF H. R. 1211, THE TRADE AGREEMENTS EXTENSION ACT OF 1949 FOR PRESENTATION TO THE SENATE FINANCE COMMITTEE, FEBRUARY 22, 1949

The National Council of Jewish Women supported the Trade Agreements Act when it was originally presented to Congress by former Secretary of State Cordell Hull and when it was passed by Congress in extended form in 1945. The need for this program continues as great as ever and it must not be watered down by limitations of 1 year on its duration or by restrictions on the President's power to lower tariffs such as were adopted by the Eightieth Congress.

The benefits to this country of the reciprocal trade program are proven by the large increase in trade with treaty countries. From 1934 to 1939, United States trade with countries which had signed tariff agreements rose 63 percent, as against a 32 percent rise with nontreaty countries.

The Trade Agreements Act is a close ally of the International Trade Organization. From the start, the United States has been a prime mover in the development of the International Trade Organization. The United States has supported the International Trade Organization in the belief that the freeing of world trade through the reduction of barriers which are unnecessarily high and which discriminate among countries, will aid greatly in producing a stable world economy. Under the reciprocal trade program, the United States has concluded a large number of agreements to reduce tariffs, eliminate preferences, and in many other ways help the free flow of international trade. The United States cannot on the one hand support the International Trade Organization and on the other restrict the reciprocal trade program which should be a mainstay of the International Trade Organization program.

The countries of the world have made great strides in reconstructing their ruined economies. But the arduous work of reconstruction must continue for many years before the world's economy will be healthy. The European recovery program is helping greatly in this process. The improvement and expansion of world trade is a necessary concomitant of the European recovery program and is essential to recovery. The United States, through the Trade Agreements Act, can give tremendous impetus to the betterment of world trade while at the same time improving its own economy.

The National Council of Jewish Women urges the immediate adoption by the Senate of a bill extending the Trade Agreements Act to June 1951 and removing the restrictive provisions passed in 1948. The National Council of Jewish Women supports the extension of the Trade Agreements Act under its resolution on foreign trade:

"Whereas the United States requires an expanding world trade for the full utilization of its productive resources, which is necessary for both domestic and world economic progress; and

"Whereas the United States is in a position to give leadership toward the achievement of that objective: Therefore be it

"*Resolved*, That the National Council of Jewish Women support the progressive reduction of tariffs by the United States on a reciprocal basis; and be it further

"*Resolved*, That the National Council of Jewish Women urge the United States Government to undertake international agreements designed to lower or remove trade barriers."

Senator MILLIKIN. Mr. Chairman, I would like to ask the lady one question.

I think the essential difference between the bill which has been proposed, and the act as it now exists has to do with the establishment of a peril point by the Tariff Commission, which the President may or may not follow. What is the objection of your organization to that?

Mrs. STONE. It seems to us, sir, that to guess at a peril point is about all that the Commission could do. They could take various things into consideration, but it would be a prognostication. And in the present procedure, we have the safeguard of the escape clause, which we think is the reasonable way to protect it, after there have been actual signs of injury to an industry. I think after last November we sort of lost faith in prognostications.

We feel that the rates under the present law are very carefully gone into. I myself have attended some of the hearings on specific trade agreements, and have seen how the witnesses were heard. We feel that our interests, the interests of the public, are protected by the various groups that are in on the negotiations all through the making of an agreement.

Senator MILLIKIN. I am sure you will agree with me that if we do not have prosperous local industry we cannot have consumers who will consume.

Mrs. STONE. I agree with you, sir. But I also believe that the overall picture has been in favor of the American consumer; that the American consumer has benefited in general. I think we sometimes lose sight of the fact too that although we do not want to see any individual industry suffer, and I thoroughly approve of the escape clause in the agreements, sometimes it is made to appear that the so-called protected industries are a much larger part of the whole manufacturing industries than they really are.

Senator MILLIKIN. I think the statistics show that our exports amount to about 10 percent of our entire economy.

Mrs. STONE. Yes; I have seen such estimates.

Senator MILLIKIN. Ten or twelve percent. So of course, the local market and the local production for that market is by all odds the larger part of the business. I was just simply wondering what the attitude of the ladies is as to how we can serve the consuming interests if we do not serve the producing interests, and see that they are safeguarded.

Mrs. STONE. It seems to me that before the trade agreements program, the producers were the only ones considered. It was what they wanted in the way of tariffs. And we feel that in enlarging world trade and expanding world trade, there is bound to be more employment, more money at home to spend, and a higher standard of living here. And may I say too, as to the various witnesses who have talked about competing with low wage scales in other countries, that

I wonder how the other countries can raise their wage scales unless they have the money to do it. And of course, that includes raising the standard of living. If they can't sell their own products, they won't have the money to do it.

Senator MILLIKIN. Of course, that poses the question: Shall they raise their wage scales at the expense of lowering ours?

Mrs. STONE. I don't think it would work that way, sir.

Senator MILLIKIN. Then you favor protecting our own wage scales.

Mrs. STONE. I think our wage scales are protected by the efficiency of our industries. The efficient industries are able to pay good wages because they are efficient, and I think they will always be able to pay good wages as long as they are efficient.

Senator MILLIKIN. We have had a lot of testimony that in these fields where a considerable part of the product represents labor, it would produce great desolation in this country if you do not protect against those abnormally low wage scales of other countries because we no longer have a monopoly on the technological processes. We have had testimony here that in several countries the machinery which they are using—machinery which these witnesses testify they have been unable to get—is better than our own. We have also had testimony that much of the machinery in these countries has been obtained from this country.

Mrs. STONE. But the fact is, sir, is it not, that we still compete successfully with those countries?

Senator MILLIKIN. Well, at the present time there really is no competition. I mean, broadly speaking, the world is in such a shape that you really have no test of international competition. The virtues of this system, I suggest, which you have proclaimed, have not been demonstrated yet because, while we have lowered our tariffs down to almost free trade, every other country in the world protected itself with quotas and import licenses and exchange controls, and so forth and so on, so that there is no real reciprocity in it.

Mrs. STONE. Well, if we can get the international trade charter to working, I think that will do it.

Senator MILLIKIN. Oh, that will finish us off, I suggest.

The CHAIRMAN. Thank you very much for your appearance.

Mrs. STONE. Thank you, gentlemen.

The CHAIRMAN. Mrs. Leslie Wright?

Mrs. Wright, you may be seated, if you prefer, and will you state for the benefit of the record the organization which you represent?

STATEMENT OF MRS. LESLIE WRIGHT, REPRESENTING GENERAL FEDERATION OF WOMEN'S CLUBS

Mrs. WRIGHT. I am appearing for the General Federation of Women's Clubs, Mr. Chairman. My name is Mrs. Leslie Wright. I am the general chairman.

The General Federation of Women's Clubs is an international organization with a total membership of 7,000,000 in 28 countries. In the United States its total affiliation is approximately 5,000,000, of which the voting membership is 1,300,000. Those are the members who vote in our clubs. Out of our total membership of 5,000,000, probably 4,000,000 of them are voters in the United States who vote in all the

elections, with the exception, of course, of the women in the District of Columbia.

We represent, of course, the majority of the buying power of the United States, and I would like to think that we also represent a good part of the intellectual power, although when this agreement was before the House last year we understood that the women were not considered to have enough brains to talk about the reciprocal trade agreements.

The CHAIRMAN. You must have misunderstood that.

Mrs. WRIGHT. Well, I don't know. That was just hearsay, I didn't agree with whoever said it, Mr. Chairman; but nevertheless, it hurt quite a number of women and made them all the more insistent that we were back of the President's program.

The CHAIRMAN. That is not the opinion in this committee.

Mrs. WRIGHT. I know it, and I don't think it is the opinion of most of the Members of the Congress, because I have a great number of friends, both Republicans and Democrats, who are very courteous to us always.

The General Federation of Women's Clubs does not belong to any pressure group. We do not have our opinions formed. We have 16,000 clubs throughout the United States, and a great many of them hold forums. Some of them do not, of course; some of them are sewing bees, you might say. But a lot of them are clubs whose members belong to the State legislative council, and I think that their opinion is worth having.

We have been on record for many years as endorsing the reciprocal trade program of the United States. Prior to the enactment of the Trade Agreements Extension Act of 1948, the organization reaffirmed its previous stand, and indicated its alarm at the curtailed program then under consideration in the Eightieth Congress, by adopting the following resolution:

Resolved, That the General Federation of Women's Clubs in convention assembled, May 1948, reaffirms its support of the reciprocal trade agreements program and urges the renewal of the Reciprocal Trade Agreements Act, which expires in June 1948, for a 3-year period without crippling amendments.

In view of the above resolution, the Federation strongly endorses the legislation now under consideration by the Senate. I refer in my written statement to the House Ways and Means Committee, you will note. This is practically the same statement we had there, and the stenographer left it in. As I said, we strongly endorse the legislation now under consideration by the Senate, providing for a restoration of the 1934 act, and a return to the 3-year cycle which has operated with such success in the past.

The 1-year limitation imposed on the program by the Trade Agreements Extension Act of 1948 casts uncertainty on the future economic policy of the United States. It is upsetting to business and commercial planning. It cannot help but have an adverse effect on the negotiations between this country and the 13 nations scheduled to begin this April. It is hardly conducive to the reduction of barriers to trade among the 16 nations participating in the European recovery program—a condition of continued aid under the Economic Cooperation Act.

The advantages to our foreign relations of extending the program for another 2 years seem too obvious for further comment.

The proposed legislation restores the Tariff Commission to its former cooperative and advisory role in developing trade agreements, instead of isolating it as a solely fact-finding body. Under the terms of H. R. 1211, the Commission will again actively participate in the deliberations of the Interdepartmental Trade Agreements Organization, and thus make available to this group its valuable information and advice.

As the law now stands, the Commission is prohibited from taking part in any decision regarding the terms of a proposed agreement, or in the negotiation of an agreement. This feature of the present act seems to us highly undesirable.

H. R. 1211 eliminates another objectionable feature of the 1948 act which, in effect, makes the Tariff Commission solely responsible for predicting far in advance the exact amount which the tariff on an item can be cut without threatening serious injury to a domestic industry. Under the burden of this responsibility, the recommendations of the Commision are bound to be more conservative than they otherwise might be. While the President can legally disregard the findings of the Commission, he would be most unlikely to do so under the terms of the existing legislation.

The peril point system is heavily slanted toward protectionism.

It is, furthermore, unnecessary. The procedure already existing which authorizes the Tariff Commission to advise the President when a tariff concession is causing or threatening to cause injury to a domestic industry, and which gives the President power to withdraw the concession if he so finds, seems to us an adequate safeguard. It is a reasonable safeguard which operates when injury is a fact rather than a fear.

The continuance of the reciprocal-trade program, in workable form, is of the utmost importance. It is vital to the success of the European recovery program. It is indispensable to the entire international economic structure which this Nation has been struggling to develop through the United Nations. It is basic to the realization of the economic objectives set forth in the charter of the proposed International Trade Organization. It is, above all, necessary to the continued welfare and prosperity of the United States.

For these reasons, the General Federation of Women's Clubs hopes that the Congress will act promptly and favorably on the extension of the Reciprocal Trade Agreements Act as provided in H. R. 1211.

Mr. Chairman, we do not want to see any American industry seriously crippled or destroyed. However, in trade, as in all things in life, a certain amount of give and take is necessary. Every taxpayer in the United States is having his income curtailed by a share in the over-all cost of the Marshall plan. We are very sure that we are giving a great deal more than we are getting in return under this Reciprocal Trade Agreements Act, but that seems to be the price that the country pays now for winning a war; that we give a great deal more than we get out of the victory. And we feel that in order to keep the world peace and implement the Marshall plan, we must have the reciprocal-trade agreements program as it is contained in this bill.

The CHAIRMAN. We thank you for your appearance.

Mrs. WRIGHT. Thank you for your courtesy in allowing us to appear.

The CHAIRMAN. Mr. W. Lunsford Long.

Senator HOEY. Mr. Chairman, Mr. Long is from North Carolina. We are glad to have him testify. He is the owner of a tungsten mine, and was many times a member of the State Senate of North Carolina. He is a very valuable citizen of our State. I am glad the committee is going to hear him.

STATEMENT OF W. LUNSFORD LONG, VICE PRESIDENT AND GENERAL COUNSEL, TUNGSTEN MINING CORP., WARRENTON, N. C.

Mr. LONG. Mr. Chairman and members of the committee, I thank my friend, Senator Hoey, for his kindness. I am W. Lunsford Long. I live in Warrenton, N. C. I am a native of North Carolina, and have lived there all my life.

I am in the mining business, and appear here as vice president and general counsel of the Tungsten Mining Corp.

The Tungsten Mining Corp. owns a tungsten mine in North Carolina which it operates. It also owns a tungsten mine in Idaho, which it has leased, under a lease and option agreement, to the Bradley Mining Co., of San Francisco, who are now operating it under this lease from our company.

We also own a nonoperating tungsten property in Arizona, and today in our North Carolina operation we are, I believe, the largest producer of tungsten in the United States at this particular moment.

The mine in North Carolina was discovered in 1942 as the result of a search inaugurated by me down there for strategic materials for the war effort. We had prospectors looking primarily for manganese and sheet mica. They found, fortunately, this tungsten deposit.

It was inconceivable to me, and to the tungsten industry, that we were going to find east of the Mississippi River any considerable tungsten deposit, but it has been found, and for the past 5 years we have been developing that property. We have spent $1,500,000 of capital out of pocket, played back more than $3,000,000 of tungsten produced down there, and have developed what seems to be one of the largest if not the largest potential sources of tungsten on the North American Continent.

The operation has not paid any dividends. We have not made any money to speak of at all. What little earnings we have had we have played back.

I am also a member of the Council of the Producers of Strategic Metals, an organization created within the mining industry, of the corporations and individuals engaged in producing these strategic metals.

In the beginning of the late war there were seven metals originally listed as being highly strategic and necessary in the war effort. No. 1 was tungsten, until the Yellow Pine Mine in Idaho was fortunately discovered, and until it had been developed and put in operation tungsten stood at the head of the list of the strategic needs of the United States.

After the Yellow Pine Mine had been developed, in 1942 and 1943, by the end of 1943 the production from the Yellow Pine Mine was such, fortunately, that tungsten receded from this position of priority, through the supply found in this Yellow Pine Mine.

Tungsten is increasingly needed as an essential of national defense. And I am speaking to you today, not as an attorney who is employed to come and present a cause, or try a case, but as a stockholder, officer, and director of these companies that are producing here in the United States from domestic sources these highly strategic materials.

I am speaking at their request, not only for myself, but for Mr. S. H. Williston, of San Francisco, president of the Cordero Mining Co., of McDermitt, Nev., which was, until last October, a producer of mercury. It has now ceased operations, due to the decline in price of mercury. The mine is closed up. Mr. Williston is chairman of our Council of Strategic Producers. I am speaking also with the prior approval of Mr. James P. Bradley, vice president of the Bradley Mining Co., of San Francisco, Calif., who leases our tungsten mine in Idaho, and also in Idaho is the one and only producer of antimony in the United States, which is another one of these strategic metals. The Bradley Mining Co. was also, until last year, a large producer of mercury, operating several mercury mines in California. Their mercury properties are shut down. They are now producers of antimony and of tungsten.

I also have been interested for some time and still am in manganese properties. Those properties are not operating, but it is possible that those properties can come into operation.

Tungsten Mining Corp., let me say, is an operating subsidiary of Haile Mines, Inc. Haile Mines also has options on western tungsten prospects—you might call them that—which look interesting; and in the event that the tungsten industry becomes stable, and it looks like it is a safe thing to do, we will investigate those properties and put them in operation if it seems wise.

We could very greatly enlarge our production had we any incentive to do so. I have consulted recently, frequently, with every producer of tungsten in the United States; that is within the continental limits of this country. And it is our considered opinion that granted a stable mineral policy and a certainty that the tariffs will not be further cut with respect to tungsten, domestically, at only a relatively slightly increased price over that prevailing today, we could produce all of the tungsten that this Nation normally will need.

It is possible that we will not be able to meet the extraordinary demands which apparently are coming from the armed services for an increased amount of tungsten for national defense. During the last World War, and since its cessation, the technology of warfare has shown that immensely increased amounts of tungsten over anything known in World War I or World War II are necessary for the conduct of war.

Tungsten is the hardest of all the metals. It is the most heat-resistant of all the metals. It does not occur in nature in a native State. No person ever saw a piece of tungsten until it was chemically treated and reduced to pure tungsten. It occurs in a trioxide form, WO_3, and it has to be reduced, the oxygen taken out of it, to get to the pure metal itself.

Tungsten is sold and handled on what is called a unit basis. A unit is 1 percent of a dry short ton. It is 20 pounds of WO_3. And 20 pounds of WO_3 contain 15.86 pounds of pure tungsten, of W.

Well, now, you sell or buy tungsten concentrates on a unit basis; and this 20 pounds of WO_3 is today selling duty paid on the dock in New York at $24.50 to $25, the average price being $24.75 a unit. During the war the price of tungsten was $24. And when labor and materials and prices were frozen, the price of tungsten was fixed at $24 a unit. But the Government paid to new producers, such as ourselves in North Carolina who discovered this mine as a result of an effort to help the war, $30 a unit. After the war was over, and the Government withdrew from the tungsten market, tungsten went up to $34 a unit in June of 1947. At that time, the representatives of the tool-steel industry of the United States—and this was in the public press, and it is common knowledge—appeared here and said to the Government, "You must open the military stock pile. We have less than 6 months supply of tungsten in the United States. Unless we can get more tungsten, we won't have the tool steel, and the domestic economy will fall flat on its face, and we ask you to open th estock pile."

The Secretary of the Treasury said, "We can't open the stock pile. Congress has the key. It takes an act of Congress to open the stock pile."

Well, the tool-steel industry said, "At least, you can do this: Quit buying tungsten concentrates for the stock pile in competition with us."

As a result, the Munitions Board and the Bureau of Federal Supply stopped buying tungsten concentrates, June a year ago, and never bought any until last October. And the price of tungsten dropped from $34 to $24. In the meantime, mining costs, after the lid was taken off, had practically doubled. We had three wage increases, and all steel, everything in connection with the mining, went up. Where you could mine and mill a ton of ore for $12, it was costing you $20. The tariff on tunsten was fixed at 45 cents a pound of contained W in 1922. It remained at that until 1930, when, in May, it was increased to 50 cents a pound. From May 1930 until last May 22, the tungsten tariff remained the same, but it was cut 24 percent under a treaty with China on the 22d day of last May. That was $1.93 a unit, figured in terms in which you sell the product. And the price of tungsten was supposed to drop that $2 approximately. Instead of that, it dropped $10, due to the Government laying off of the market, and the tariff cut.

In 1945, in May, this same committee in this same room was considering this same bill, an extension, then, of the Trade Agreements Act . The late Senator Bailey of North Carolinia was a member of this committee. I suggested to Senator Bailey at that time the same thing I am suggesting to this committee today: the wisdom of an amendment to exclude from the operation of these treaty negotiations and tariff-cutting policies, those strategic metals and minerals, not only the ones in which I am particularly interested, but the others, that are certified by the Munitions Board as being necessary for our national defense, and that must be stock-piled.

I said, "I would like to see that excluded." Senator Bailey said, "I will offer the amendment;" which he did, in this committee.

The amendment was not accepted, on this theory: I listened to Mr. Will Clayton's testimony in this same chair I am sitting in. He said, "You can trust the State Department not to tamper with the essentials of national security."

Senator Bailey, I recall, said, "Well, we didn't trust you, because you weren't there; but we trusted somebody, and we were caught with our pants down at Pearl Harbor. And I do not propose, so far as I am concerned, to delegate my duty to you, no matter how patriotic you are, or to any other living man. I do not feel that as a Senator of the United States I have the right in good conscience to delegate to anyone that duty of mine to see that this Nation is kept strong, and strong enough to remain free."

And I want to suggest to you, gentlemen, the wisdom of such an amendment at this time. Because I want to relate to you exactly what took place.

After the Senate passed the act, and we relied upon the State Department, we were put on notice in the Geneva treaty negotiations that tungsten would be one of the many articles under consideration.

We were accorded a day before the Committee on Information for the Reciprocal Trade Treaty Act. I appeared there; so did the representatives of the other companies producing tungsten in the United States. We testified all of the afternoon under oath, gave them our certified accounts, and statements of our operations, profit and loss, and what we were doing.

When we finished, the committee did a very unusual thing. The chairman of it said, "Gentlemen, I am going to do an unusual thing. I have consulted with the other six members on this committee, and we are in unanimous accord that your case is so perfectly clear that we ought to tell you that we will never recommend a reduction of the duty on tungsten. You go on home and go to work and get this stuff out, which we need so sorely for national security."

Senator MILLIKIN. What date was this?

Mr. LONG. This was in January 2 years ago, before the Committee on Information for the Reciprocal Trade Treaty Act. That statement was not made in bad faith. It was not made to lull us into security. It was made in absolute good faith. And that was their recommendation.

I cannot explain to you gentlemen, I have never been able to fathom, why it seemed wise in the Geneva negotiations to cuit this duty on tungsten. I say that for this reason: The entire tungsten business in the United States is 500,000 units a year. At $30 a unit, that is only $15,000,000. Well, now, we have always produced, for the last 20 years, about 50 percent of what we used in this country. The figures were 52 percent in 1948, and so on.

Now let us assume that China sold 60 percent of it, 300,000 units, and got a benefit of $2 on it, to get $600,000. Well, now, China has never sold us more than one-fourth. It comes from Bolivia, from Brazil, from Spain, from Portugal, from China, and from Burma.

Well, now, the sum total is not big enough to affect any nation's economy.

The same day that the tariff was cut in this Chinese treaty, in May of last year, the Government of the United States was requested by the President of the United States to give Generalissimo Chiang Kai-shek $350,000,000. We gave him the $350,000,000. We made the trade treaty with him. And now nobody knows whether you are ever going to get any more tungsten from China. It is, to say the least, extremely problematical.

And in China, the government takes all the Chinese production of tungsten. You are not benefiting or dealing with a Chinese operator. It is exactly, in China, like the gold is in the United States. If you produce any gold, it goes to the Treasury, and then the Treasury does what it pleases with it. The Chinese Nationalist Government requires all tungsten produced in China to be turned over to it. And then the Chinese Government sells it at whatever price they will, wherever they will.

Now, I say to you, gentlemen, in all good conscience, that it is not right to give the State Department the power to require us and our associates, the American producers of these strategic materials, to have to compete in an unprotected market with a government somewhere else in the world. We might be able to compete with an individual in China, but no individual operator can compete with a government. And I say, therefore, that we ought to take out of the purview of this Federal Trade Treaty Extension Act, when we pass it, these strategic metals.

Chrome is one of them. You can't do anything for chrome. Chrome is dead. There is not a pound being produced in the United States. It is on the free list. It has been on the free list. You are dependent on Russia and Turkey to get your chrome.

And you can go out West and produce it. It will cost you some more money; yes. But you can get it. Chrome is on the free list. Tin is on the free list.

But there is on your tariff books, and it has been there for many years, a law that says when, as and if in the United States we produce 1,500 tons of tin domestically in any one year, automatically the tariff goes on. Until you can produce some in this country, it doesn't go on.

As to mercury, the tariff has not been cut, and yet the mercury industry has ceased to exist in this country, after existing for a hundred years. We started producing mercury in 1846, and produced it every year until last October, when the last mines shut down. They shut down not because you cut the tariff. The Federal Trade Treaty did not cut the tariff on mercury. But the Spanish cartel reduced the price and absorbed the tariff, and put them all out of business, and then raised the price to $24 a flask.

We have, fortunately, in our stock pile, a large amount of mercury, and are in a far better position there than you are in respect to tungsten.

I do not have, and I am not supposed to be able to obtain, the figures with respect to the goal on tungsten. But I can say this to you, gentlemen, from my knowledge of the industry, from my negotiations with the officers of the Government, that we are being put on notice that we are going to be expected to expand, and that the Nation is going to need very greatly increased amounts of tungsten.

You can get that information. Within the last few weeks, this revision of the goal has taken place. It has not yet, to my knowledge, become a subject of congressional action, because it has had to be approved by all the boards before it gets to you; but it has been approved by the armed services, and their requests have gone in.

And it is inconceivable to me that anybody should be given the power to stifle this domestic industry. If you were to cut the tariff on

tungsten, take off this $6.03 that is left on it, there is not a producer of tungsten in the United States at today's price that could make one single cent of profit. We are the lowest cost producers in the country, because we have more tungsten in a ton of rock than any other mine in this country, and it costs you the same thing to mine and mill a ton of rock whether you get out of it 20 pounds or 10 pounds of tungsten.

We would be the last ones to go under. But we couldn't take it. And I think that national security demands that you give consideration to what this particular industry is confronted with.

We are little. The sums of money involved are nothing. Even take manganese, which is the biggest one of them, with 1,400,000 tons, or call it 1,500,000 tons, a year, needed to sustain our very high rate per year of steel production. Suppose you pay a dollar a unit for 50 percent manganese. It costs you $50 a ton. Fifty times a million and a half tons is $75,000,000. Well, $75,000,000 is a lot of money to me. But in our great national economy it is not a drop in the bucket. It is a thing, it seems to me, that is right, that I am asking.

I want to give you a copy of the amendment which Senator Bailey offered. This was his amendment, which he proposed in this form 4 years ago. I would like to file it for the record.

The CHAIRMAN. Very well.

(The amendment referred to is as follows:)

AMENDMENT PROPOSED BY SENATOR BAILEY IN 1945

No proclamation shall be made pursuant to this section decreasing the duty or other import restrictions on any mineral or metal included in the "current list of strategic and critical materials approved by the Army and Navy Munitions Board November 20, 1944 (table II, S. Doc. No. 5, 79th Cong., 1st sess.).

Mr. LONG. I would also like to file a supplemental statement, which is signed by myself for Mr. Williston and Mr. Bradley, to whom I have referred. They have assisted in the preparation of this document. Unfortunately, they could not be here today. They had to go back out West to San Francisco.

I have heard it said that "He is thrice armed whose cause is just," and I feel that I am suggesting to this committee a thing that is inherently right and sound. So I feel "thrice armed."

The CHAIRMAN. We thank you for a most interesting statement.

(The supplemental statement of Mr. Long is as follows:)

SUPPLEMENTARY STATEMENT BY W. LUNSFORD LONG, TUNGSTEN MINING CORP., WARRENTON, N. C.; S. H. WILLISTON, CORDERO MINING CO., MCDERMITT, NEVADA; JAMES P. BRADLEY, BRADLEY MINING CO., SAN FRANCISCO, CALIF., BEFORE THE COMMITTEE ON FINANCE OF THE UNITED STATES SENATE IN RE H. R. 1211—TRADE AGREEMENTS EXTENSION ACT, FEBRUARY 22, 1949

In support of our request that in any extension of the Trade Agreements Act, a provision be inserted excluding strategic minerals from any further reductions in duty, and that the statutory rates of duty provided for such minerals in the Tariff Act of 1930 be restored at the earliest opportunity, the following additional information is respectfully submitted:

At the begining of World War II, seven metals were given the highest strategic importance in the prosecution of the war—tin, vanadium, tungsten, manganese, antimony, mercury, and chromium. Of these seven metals, six (all except tin) occur in appreciable quantities within the continental United States although they are somewhat lower grade than the richer deposits abroad. Of these six metals the first one, vanadium, is now an accessory metal to uranium mining and is protected by the Atomic Energy Commission. The last-named metal,

chromium, is on the free list and no action of this committee can provide it with the tariff protection it should have.

In regard to the remaining four metals, it is of the utmost importance that the mistakes made after World War I should not be repeated after World War II. Already the Trade Agreements Act has curtailed the small tariff protection held by tungsten, manganese, and antimony, with serious results insofar as domestic production is concerned. In regard to the fourth metal, mercury, the Tariff Commission has been investigating the possible effects of cuts in the tariffs on mercurials, leading the industry to fear that this metal too may suffer through reduction of an already too small protective tariff.

Tungsten production is a small industry, the annual gross value of all of the tungsten produced in the United States currently being not in excess of $7,000,000. The entire machine tool industry is dependent upon tungsten tools for the manufacture of shells and armament. The future of jet propulsion is dependent on heat-resistant metals with a high proportion of tungsten content. At the present time, as the result of the Geneva tariff cuts which became effective in the spring of 1948, the tungsten industry of the United States is reduced to only four operations and those four operations are operating either at a loss or on the narrowest margin of profit. Any further reduction in tungsten prices or any appreciable increase in mining costs will wipe out the small nucleus of tungsten production still remaining in the United States. With a consistent mining policy and with somewhat increased protection the tungsten industry could supply all requirements from domestic sources.

After World War II, it was stated by some of the highest defense authorities that the Yellow Pine Mine in Idaho, which produced over 800,000 units of tungsten during the war period, had the effect of shortening the length of the war by a year and saving the lives of a million American soldiers. Tungsten has the highest melting point of any known metal. This fact, together with its other chemical and metallurgical properties, makes the substitution of other metals for tungsten almost impossible. The world supply of tungsten outside of the continental United States is from Asia, South America, Spain, and Portugal. Most of the world's supply in the past has come from Asiatic sources, principally China, and the availability of future supplies from that source is, to say the least, highly questionable.

Manganese in small amounts is essential in the production of every ton of steel produced. Without manganese most of our steel industry would be forced to close. Only 10 percent of the country's requirements of manganese are produced within the continental United States and over 70 percent of our current requirements are imported from overseas sources. Of those total imports, 35 percent in the last year has come from Russia and continuance of this supply is now doubtful. The steel industry is faced with the necessity of obtaining new sources of supply within periods all too short for comfort. These are the facts, yet as recently as a year ago, the tariff on manganese was cut the full permissible amount under the Trade Agreements Act. While the manganese deposits within the United States are not of a grade comparable with the richer deposits abroad, at least one operation in the United States is able to produce premium grade manganese from low-grade ores in such a form that it is entirely acceptable and even sought after by the steel industry. The technical divisions of the Bureau of Mines feel that it is possible to make acceptable products from domestic manganese which, once established, might well be able to compete in the world market; but present conditions, with negligible protection, high costs and an uncertain future give no incentive to any member of the domestic mining industry.

Antimony. Prior to World War II, the United States was entirely dependent upon antimony imports from Mexico, South America and overseas. During World War II extensive deposits of antimony were discovered and developed within the continental United States and at the present time a considerable proportion of our domestic requirements is available without resort to long overseas hauls. The continuation of our domestic antimony industry is dependent upon tariff protection. The gross value of the antimony produced in the United States, like the gross value of the tungsten industry, is small, only some $4,000,000. Yet without antimony as a hardener for lead, the storage-battery industry, the bearing industry, and the flame-proofing industry would have extreme difficulty in surviving.

In spite of the importance of this metal to the defense of our country in times of emergency, the tariff on the metal was cut in the early part of 1948, and the

ore is still allowed free entry. Prior to the war, China provided 60 percent of the world's supply of new metal. At the present time supplies from China are erratic and may well continue to be so but large amounts imported into the United States could, at almost any time, completely eliminate the domestic industry, and it is certain that if once eliminated, domestic antimony producers would hesitate before ever attempting to resume production. Antimony is still, in the eyes of the defense authorities, one of the two metals in shortest supply since only antimony and tin remain under Federal allocation and import-export control.

Mercury. The mercury industry of the United States has supplied large percentages of American requirements for the last 100 years. The world price in this metal is controlled by a tight foreign cartel. The cartel members are the Spanish mines owned, controlled and operated by the Spanish Government and the Italian mines controlled through loans by the Italian Government. Throughout World War II the cartel, believing that they had a monopoly on the world supply of the metal, were highly antagonistic to the United States—one country, Italy, openly and the other, Spain, a nonbelligerent member of the Axis. Immediately after the conclusion of the war, high officials of the cartel stated "that they would recover their proportion of the American market." For the last 3 years the cartel has been endeavoring to destroy the domestic mercury industry and in published statements in London as recently as May stated—

"London.—It is understood that the Spanish-Italian quicksilver group's price for the United States market has been raised by $2 to $54 a flask, f. o. b.

"The previous quotation of $52 was the lowest level at which the group sold in order to overcome the heavy United States import duty on foreign metal while maintaining their general world price of $60 f. o. b.

"The advance is attributed to the elimination of the greater part of United States domestic production owing mainly to these cheaper offers."

The gross value of the mercury consumed in the United States is less than $4,000,000, and as a result of cartel activities 90 percent or more of the American mercury must now be imported from abroad and 80 percent or more must be obtained from cartel sources. During World War II, the domestic mercury industry supplied all the wartime requirements of the United States and its allies. The industry, which before the war consisted of from 40 to 100 operations and which has been in continuous activity since 1846, is now to all intents eliminated. Reserves of ore which before the war would have been considered as of bonanza grade cannot now be mined. All of the principal operations have been shut down and the mines will soon fill and cave. Some have already been lost and those not yet lost will probably be in extremely bad condition within another year. The length of time required to reopen these mines in times of emergency would be considerable and there would be no assurance that it could be done at all.

While mercury is not on the list of those metals to be negotiated at the coming trade conference, one of the principal producers—Italy—is a party to the new trade agreements, and it is well known throughout the industry that the Tariff Commission has been investigating the effect of possible cuts in the tariff on mercurials. In the light of past actions by the State Department in cutting metal tariffs, the industry is greatly perturbed over the possibility of a cut in present tariff rates.

Should the tariff on mercury be reduced, the complete domination of the industry would be placed in the hands of the European cartel and there is almost no possibility that any domestic mines could open or, if opened, continue in operation.

It can be seen that the gross dollar value of the strategic metals above described is unimportant. Any trade advantage which could be gained by their abandonment would be of infintesimal value to the welfare of the nation as a whole. These tariffs have not been trade barriers in the past and any further reduction of the present tariffs might well result in the complete destruction of the domestic industries.

The facts above outlined, we submit, call for action by your committee to exclude these strategic minerals from any further reductions in duty under the Trade Agreements Act. Like conditions prevail, in greater or lesser degree, as to the other strategic and critical minerals listed by the Munitions Board and as to which the creation of defense stock piles is recommended. To maintain a healthy mining industry within the United States, capable of continuing to supply these minerals, it is of the highest importance that present rates of duty be guaranteed against reduction.

The need for such action at this time was ably presented by Elmer W. Pehrson, Chief of the Economics and Statistics Division, United States Bureau of Mines, in an address on November 17, 1948, in which Mr. Pehrson stated:

"Tariffs—Under todays conditions, a discussion of tariff policies is more or less academic; but the present situation cannot prevail forever, and sooner or later world supply will overtake demand. If our industries, particularly those that supply a large proportion of our needs of strategic raw materials and those that contribute heavily to the prosperity of some of our States, could be assured of reasonable tariff protection when the day of reckoning comes, they would feel more secure in investing for the future. Under the reciprocal trade agreements program protective tariffs on most minerals have been reduced substantially. During the period in which these cuts have been in effect, conditions have been such that the ultimate consequences of the reduction have not been apparent. There can be little doubt, however, that the reduction in tariffs has weakened the competitive position of the domestic producer under normal market conditions. He thus faces a future under difficult domestic circumstances over which he has little control, with his tariff protection greatly reduced.

"The reciprocal trade agreements program probably will remain for many years to come. The suggestion that strategic minerals be exempted from the operations of this act does not question the over-all wisdom of the legislation but does emphasize the fact that the national stake in the conservation and national security aspects of these depletable-resource industries calls for special consideration. I believe the public interest would be served by announcing that the tariff cuts, which in the long run will adversely affect domestic production of mineral raw materials, will be reinstated as soon as supply and demand approach a normal balance."

The need for assurance to domestic producers of these vital raw materials that their present inadequate tariff protection will not be further reduced was also set forth in testimony before the Senate Finance Committee on May 31, 1945 (record of hearings on H. R. 3240, vol. II, p. 125). The failure of the Congress to adopt such a policy at that time has contributed largely to the critical situation in which many of our strategic-mineral industries now find themselves.

It is frequently argued that the so-called escape clauses contained in the agreements negotiated under the Trade Agreements Act serve as a protection to the domestic producers against serious injury from reductions in their tariff protection. In the experience of the mining industry, however, the escape clauses have been found to be of no practical value whatever, and no remedial action under these clauses has ever been taken, even where all the conditions specified therein have been shown to exist. So far as we can learn, out of the many hundreds of reductions in duty which have been made under the trade-agreements program, the escape clauses have been successfully invoked only in two minor instances, involving silver fox furs and embroidered handkerchiefs.

In the case of tungsten, in hearings held before the Committee for Reciprocity Information in January 1947, the committee assured industry representatives that their case was excellent and that they should have no fear of a tariff cut; nevertheless, the cut was made. A few months after the tungsten tariff reduction became effective the matter was informally presented to the Tariff Commission which took the view that insufficient time had elapsed since the reduction for any resultant economic effect to be revealed and that therefore an appeal by the industry at that time would be premature. It would appear that the industry must die completely before its case can be taken up.

We earnestly ask your committee's careful consideration of the facts above presented, and your affirmative action in connection with the pending legislation, to provide definitely for a continuation of existing tariff duties on strategic minerals, by means of a specific provision in the law that these duties shall not be reduced in any further trade agreements. It is a grave responsibility which is placed upon this committee to decide whether the United States shall or shall not have a domestic supply of these essential defense minerals.

Senator MILLIKIN. Could I ask the gentleman a question?

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. I am very much interested in your tungsten deposits. How deep do you go to get your tungsten?

Mr. LONG. We are now, in the North Carolina mine, on the 500-foot level. Our deepest working is 540. We are sinking about 200 feet

a year, and we drill below us. We get on a 500 level, and we immeately core drill down to the 700, and then sink. We have already drilled to the 700.

Our geologists say—the United States Geological Survey says—that our mineralization will persist to great depth, that this is a true primary vein, and the mineral deposition should be just as good at 10,000 feet as at 400, and where we will bottom out—stop—will be determined by the economic limits of mining. The cost of development and mining is progressively greater as you go down.

Senator MILLIKIN. Do you have reserves blocked out at the present time?

Mr. LONG. We have at this time above the 300-foot level in, say, 20 percent of the area, pretty well developed it. We have 400,000 tons of 1-percent tungsten ore blocked out above the 300-foot level. That, at today's market price, is about between 11 and 12 million dollars' worth of recoverable tungsten.

Now, down on the 400, we are partially developed. On the 500 we are just beginning to develop.

Senator MILLIKIN. Are you producing tungsten at the present time?

Mr. LONG. Yes; we are the largest producer in the country. Last month we produced about 6,000 units. That was about 120,000 pounds of tungsten trioxide.

Senator MILLIKIN. Are you making any money?

Mr. LONG. We have begun to make a little money, because the price has begun to rise a little bit. And we made last week, the first sale that we have made to the United States Government, to the Bureau of Federal Supply, who bought 10,000 units from us, and they paid us $28 for that production.

Senator MILLIKIN. Are the tungsten mines in China within the occupied area?

Mr. LONG. No, sir, they are principally south of the Yangtze. But they have been very greatly disorganized so I am advised.

They are not, except in a small degree, as yet in Communist hands.

Senator MILLIKIN. If the Chinese Government should become Communist, and if such a Communist government can make good its position over the whole of China, tungsten is out, unless they wish us to have it.

Mr. LONG. Unless we give them the means to protect themselves, it is out. The question is whether we are going to do that or not.

Senator MILLIKIN. And they account for how much of our tungsten here?

Mr. LONG. Prior to the war they accounted for about 40 to 45 percent annually. Since 1939, when the Japanese got in and the disruption came, we have gotten relatively little tungsten from China.

Senator MILLIKIN. The Chinese are the principal suppliers of tungsten?

Mr. LONG. They were prior to 1940, and potentially they would be if they could get organized and get their mines developed so that they could produce.

Now we are getting more from South America than we are from China. We also get it from Spain and Portugal. But the United States Government last fall bought from the Chinese Nationalist Government all the tungsten that they had available and all that they

could contract to deliver by June 30 next. So that whatever was available in China is now either in our stock pile, or on the sea coming to it. And beyond those immediate spot deliveries, no one can guess what we are going to be able to obtain from them in the future.

Any other questions?

The CHAIRMAN. Thank you very much.

Senator Hoey, do you have any questions?

Senator HOEY. No; I have none. I think it was a very interesting statement, Mr. Long.

The CHAIRMAN. Mr. Stanley Ruttenberg.

You may be seated, sir, and give the reporter your full name and for whom you are appearing.

STATEMENT OF STANLEY H. RUTTENBERG, DIRECTOR OF RESEARCH AND EDUCATION, CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. RUTTENBERG. My name is Stanley H. Ruttenberg, director of research and education of the Congress of Industrial Organizations.

Mr. James B. Carey, our secretary-treasurer, was supposed to be here today but was unexpectedly called to Pittsburgh to confer with our president, Mr. Murray, who is now in the hospital; so he could not be here today. I am presenting his statement.

American foreign policy faces a difficult problem in 1949. The political phase of the problem is that of maintaining peace under tense conditions that prevail in many parts of the world. The economic phase is that of improving world economic conditions as a basis for political stability. American labor has a vital stake in both aspects of the problem.

The CIO believes that the only kind of foreign policy able to cope with this situation is one that strengthens the political and economic conditions of free men everywhere. The House of Representatives passed H. R. 1211, extending the Reciprocal Trade Agreements Act until June 1951. At the same time the restrictive provisions incorporated into last year's Gearhart bill was removed. I appear here today on behalf of the CIO to support H. R. 1211 and to congratulate the House of Representatives for its forthright approach in removing the crippling amendments attached to last year's extension and to urge your committee to approve the bill.

I should like to discuss with you our reasons for supporting the extension of the reciprocal-trade agreements authority. The CIO advocates an integrated foreign policy directed toward international cooperation; in the political sphere, through support of the United Nations and a strengthening of the democracies; in the economic sphere, through the European recovery program, the extension of the Reciprocal Trade Agreements Act, the adoption of the charter for an International Trade Organization, and other measures to expand international trade.

LABOR'S STAKE IN INTERNATIONAL TRADE

Labor has a direct stake in international trade because the United States is such a large exporter of the products of American labor and because our standard of living is, in part, dependent upon importing many commodities from countries abroad.

Exports mean the difference between prosperity and depression for many industries. This is particularly true in industries such as electrical machinery and apparatus, automobiles, rolled-steel products, office machinery, and many others, for which exports absorb a large proportion of the total domestic output. Some of the industries are concentrated in a few localities which are largely dependent upon a single industry. For the United States as a whole, approximately 10 percent of our total industrial output is sold abroad, but the proportion is much higher for certain industries. (See attached table No. 1.)

The Department of Labor estimates that in the first half of 1947, the latest period for which statistics are available, exports provided jobs for 2,400,000 nonagricultural workers, representing 5.6 percent of the total nonagricultural employment in the United States. The percentage of workers dependent upon exports was particularly high in steel works and rolling mills, coal mining and manufactured solid fuel, machinery, including electrical apparatus, and rubber. The table attached, No. 2, shows that there were nearly three times as many workers dependent upon exports in 1947 as in 1939. This reflects the growing importance since the war of exports in our domestic economy.

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 59,000,000 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 1948 the average weekly earnings of workers in protected industries, such as boots and shoes, was $39.21; in silks and rayons, $49.13; whereas the wages prevailing in low protected export industries were higher. The average weekly wage in the machine-tool industry was $63.31; agriculture machinery, $61.45; aircraft engines, $67.73. 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.

American labor benefits indirectly from agricultural exports which increase the purchasing power of American farmers for the products of American industry. Approximately 10 percent of the total agricultural output of the United States is exported. Thus, nearly one-tenth of the total farm employment—10,000,000 agricultural workers in the United States in 1947—depends upon export for its income. Farmers and city workers are interdependent. They prosper together or not at all.

American labor benefits from imports because the huge American industrial machine could not operate at present levels without im-

ported raw materials. This has become increasingly evident as wartime demands depleted our natural resources, particularly of minerals. The Bureau of Mines reported to Congress, in May 1947, that our known commercial reserves of 24 major minerals were less than sufficient to supply 35 years of domestic requirements at current rates of consumption. Among these are such vital minerals as copper, lead, zinc, manganese, chrome, tungsten, mica, tin, bauxite, cadmium, vanadium, tantalum, asbestos, graphite, nickel, and petroleum. We are also dependent upon the importation of many food commodities, such as sugar, coffee, bananas, et cetera. Reduced imports of such products would reduce our present industrial production, would create unemployment, and would raise prices to consumers on hundreds of products used in our daily lives.

A sharp reduction in American foreign trade would reverberate throughout the whole domestic economy and would make it impossible to maintain full employment in this country.

THE EUROPEAN RECOVERY PROGRAM

The best way to maintain American export trade is to encourage economic recovery abroad.

That is one reason why the CIO supports the European recovery program. Without European recovery there can be no permanent world recovery, because Europe is the keystone in the world's economic arch. Europe is the principal market for United States exports, absorbing in the prewar years over 40 percent of our total exports. Europe is also the principal market for the exports of Latin America, Asia, and Africa. The capacity of those countries to buy American products depends, in part, upon their ability to sell their own products to Europe.

The over-all goal of the European recovery program is to restore the European economy to the prewar level and to make Europe self-sufficient by mid-1952.

If ERP puts Europe on its feet again by mid-1952, it is equally essential to the final success of the plan that Europe be able to stay on its feet after emergency American financial aid comes to an end. Otherwise, our effort and sacrifice will have been in vain.

To achieve an eventual self-supporting status, the densely populated countries of western Europe must import raw materials from many parts of the world, because their own resources are inadequate to meet their needs. To pay for these imported raw materials, western Europe must export manufactured products to many countries. The establishment of trading conditions that make for good world markets is thus a life-and-death matter to a self-supporting Europe. The reciprocal trade agreements program supported by the eventual adoption of the charter of an International Trade Organization is intended to establish trading conditions that make for good world markets.

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 recognize 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 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 1946 specifically provides, among other things, that the United States and the participating countries conclude agreements which provide 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 requirements 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 Agreement Act of 1934. If this act is not extended there will be no existing authority to carry out the 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 as originally spelled out in the Reciprocal Trade Agreements Act of 1934.

The ERP, the trade agreements program, and the ITO charter represent the tripod of United States economic foreign policy. If one leg of the tripod weakens the entire structure is shaken.

THE RECIPROCAL TRADE AGREEMENTS PROGRAM

The aim of the reciprocal trade agreements program is to reduce artificial trade barriers so as to encourage an expansion of competitive world trade.

Under the Trade Agreements Act the President may conclude trade agreements with other countries whereby the United States reduces its tariff rates on individual products we buy from them in return for

tariff reductions by the other countries on products they buy from us. Such an agreement is a "swap" of trade benefits.

The Trade Agreements Act was passed in 1934 for a 3-year period, and has been renewed five times since then. The last renewal, by the Eightieth Congress in June 1948, was for 1 year instead of the customary 3 years, and with crippling amendments. The CIO does not want to see the Reciprocal Trade Agreements Act weakened as it was last year by being placed in a strait-jacket and doubly immobilized with handcuffs and leg arms. Quite the contrary, we want to see the reciprocal trade agreements policy further expanded to meet the needs of the United States and the needs of the other peoples of the world.

President Truman, in his state of the Union message on January 5, 1949, recommended that the act be restored "to full effectiveness," in its original form without crippling amendments, for another 3 years, i.e., to June 1951. The CIO convention in November 1948, endorsed extension of the trade agreements authority on a long-range basis to promote national economic stability and to encourage international trade.

An effective Trade Agreements Act is particularly important at this juncture because of American efforts to encourage other countries to reduce trade barriers at the forthcoming World Trade Conference scheduled to meet at Annecy, France, April 11, 1949. Thirteen new countries have agreed to participate in that Conference, with the 23 countries which already had signed the general agreement on tariffs and trade at Geneva, October 30, 1947, to negotiate with each other and with the 23 for a further reduction of trade barriers. The general agreement of 1947, already in effect for all 23 countries but one, contained tariff commitments on individual products accounting for over one-half of the world's foreign trade.

The Annecy Conference, if successful, will help to expand intra-European trade, thereby lessening European dependence upon the United States.

When Congress passed the Economic Cooperation Act of 1948, it emphasized that European countries should take all appropriate measures of self-help. That act, section 115 (b) (3) expressly required each participating country to make agreements with the United States committing itself to cooperate with other participating countries "to reduce barriers to trade among themselves and with other countries "to and to stimulate "an increasing interchange of goods" among themselves. Such action would enable European countries to develop their production along more efficient lines, thereby increasing their total out put of goods. Then ERP countries, the United Kingdom, France, Belgium, Netherlands, Luxemburg, Norway, Sweden, Denmark, Italy, and Greece, will be present at the Annecy Conference.

It has been alleged that the trade-agreements program, by reducing American tariffs, will reduct American wage levels to the wage levels of foreign countries. This argument assumes that American production cannot compete against foreign products if our tariffs are reduced, and that there will be a flood of imports into the United States which will create unemployment and low wages in this country.

Nothing could be further from the truth. The best proof of American competitive power is the simple fact that we have been and are competing successfully. United States exports have exceeded imports

almost every year since 1875. In 1948 our exports were nearly double our imports. If we can compete successfully against foreign competition in foreign markets, surely we can meet foreign competition in our own markets.

Our competitive strength is due to the efficiency of American labor and industry in relation to abundant natural resources and a large domestic market. Our relative efficiency is indicated by a study of labor productivity, in the United States and the United Kingdom, issued by the International Labor Office, November 23, 1948. On the basis of United Kingdom output per worker in 1935-39 as 100, it shows United States output per worker in that period as follows:

Manufacturing	215
Mining	415
Public utilities and communications	233
Building and construction	115
Agriculture and fisheries	103

Postwar comparisons would be even more striking because United States productivity per worker increased greatly during the war, whereas the wartime destruction of factories, and the lag in replacement of obsolescent machinery, tended to retard British productivity. The United Kingdom labor productivity is greater than that of most other countries.

High productivity, rather than the American tariff, accounts for the American wage level. If our labor productivity were low, we would not have high wages even if our tariffs were raised a thousand times. Many foreign countries have much higher tariffs than the United States, yet their wage levels are lower than ours simply because their productivity is lower than ours. The plain truth is that foreign countries worry about their ability to compete with us.

In certain cases, unusual circumstances might cause an abnormal increase in imports of a particular commodity after the tariff was reduced. The trade-agreement procedure—Executive Order 10004, October 5, 1948—provides a safeguard in such cases. If, as a result of a tariff reduction, imports of a particular commodity enter the United States in abnormal quantities, so as to create or threaten serious injury to the domestic industry, the tariff reduction may be withdrawn without obtaining the consent of the other country. The other country would then be free to withdraw an equivalent concession from the United States. The provision has been incorporated in all of the trade agreements since 1943.

American labor knows that when huge American corporations shed crocodile tears over the tale that imports depress American wages, their real purpose is to restrict imports so they can raise prices to consumers and increase their own large profits. Already full production and full employment in the United States is threatened by a disproportionate increase in corporation profits relative to consumer income.

CIO President Philip Murray, in reporting to the CIO convention in November 1948, said that full employment and full production can exist only with high wages and high consumer income which enable the mass of American people to buy the products of American industry. We need high levels of production and low prices instead of the kind of economic practice which limits production at high prices, and this can be accomplished by encouraging foreign trade.

Import competition helps to prevent monopolies, helps to keep domestic prices at competitive levels, and helps to keep our economy healthy. Reciprocal trade agreements, by lowering our tariffs, encourage import competition. Our imports must be expanded if we expect to export.

In 1948, United States total exports were nearly double total imports from all countries; and exports to Europe were four times as large as our imports from Europe. Europe cannot buy our products unless the United States and other countries buy its products.

The tariff is a special tax upon imports. Not only does it restrain imports, thereby fostering domestic monopolies and higher prices to consumers, but it burdens consumers with a direct tax which falls indiscriminately upon all those who would use imported products.

For example, the tariff on woolen cloth taxes the poor man almost as much as the rich man. An equitable tax system, such as income taxes, is one based upon ability to pay.

Mr. Cordell Hull, who sponsored the Trade Agreements Act of 1934, was a leader in the fight for the income-tax law in 1913.

Charter for an International Trade Organization: The charter for an International Trade Organization represents a further step toward the United States objective of expanding world trade and stimulating world economic recovery.

The charter rules cover the whole range of international economic relationship; tariffs, quotas, subsidies, foreign exchange, customs formalities, cartels, commodity agreements, nondiscrimination, state trading, and the international aspects of foreign investments, employment, and economic development. It obligates countries to consult with each other on any international trade action affecting the other country. It obligates countries to negotiate for the reduction of trade barriers, thus extending to other countries the aims of our own reciprocal trade agreements program. It obligates member countries not to discriminate against the trade of each other, except in carefully limited cases which have been previously agreed upon. It obligates member countries to settle their international trade differences in accordance with the principles of the charter and the decisions of the International Trade Organization.

We hope that the Congress will act favorably upon the ITO Charter when it is presented. But, in the interim, it is essential that the reciprocal trade agreements authority be extended for three more years without last year's crippling amendments.

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 products 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 report out a bill extending authority to negotiate reciprocal trade agreements for an additional 3 years without the weakening amendments attached to last year's extension. And such a bill is that H. R. 1211 which was passed by the House of Representatives just a few weeks ago.

That concludes the statement which Mr. Carey would have presented had he been here today.

The CHAIRMAN. Any questions?

Senator MILLIKIN. Mr. Ruttenberg, did I understand that you made the argument that the exporting industries pay higher wages than our other industries?

Mr. RUTTENBERG. Industries which are protected by tariffs traditionally have had lower wages in this country than have industries which have not been protected by tariffs.

Senator MILLIKIN. What is our principal exporting industry?

Mr. RUTTENBERG. Well, those industries which I chose here are not our principal exporting industries, but it shows the relative position of, say, boots and shoes, silks and rayons, as contrasted to machine tools and agricultural machinery, and aircraft engines.

Senator MILLIKIN. What is the largest item of export from this country, in terms of dollars?

Mr. RUTTENBERG. You mean industrial products, or farm commodities?

Senator MILLIKIN. Industrial products.

Mr. RUTTENBERG. Off-hand, I don't know the one.

Senator MILLIKIN. How about the automobile business?

Mr. RUTTENBERG. In the automobile business, we export about 10 percent.

Senator MILLIKIN. Automobiles, trucks, and tractors?

Mr. RUTTENBERG. It is a large segment of our export trade.

Senator MILLIKIN. But the higher wages paid in that industry, for example, we should rather attribute to the skill of the CIO in getting wages, than to the fact that it is an exporting industry.

Mr. RUTTENBERG. Well, the skill of the CIO unions in getting better wages is very high, and I am glad to see that the good Senator from Colorado recognizes that.

Senator MILLIKIN. I am very glad to place a laurel wreath on your brow in that respect.

Mr. RUTTENBERG. Because it happens to fit in with the argument.

But let me just make this point, Senator: That however skillful CIO unions may be in securing wage increases, all of that skill would not be worth one scintilla, or one iota, if we were not able to maintain

full employment and full production in that industry. And one of the reasons why the automobile industry in normal years has been able to maintain such full employment and production—aside from these last 3 or 4 years since the war, in which we have had abnormal demands in this country; or let us say large demand rather than abnormal demand—is that normally we have relied upon exports in the automobile industry.

Now, if we didn't have those exports, production and employment would be not nearly as high as they were in the automobile industry, and consequently, the skill or lack of skill of the union notwithstanding, there would be no profits there, and there would not be a profitable position which would permit increased wages. So that the encouragement of exports has been a fundamental issue there.

Senator MILLIKIN. I have no basic difference of opinion with you on the importance of disposing of that 10 percent margin of surplus. I am suggesting, however, that if, in order to find a market for that 10 percent abroad you injured your domestic market, you would not have been doing very good business.

Mr. RUTTENBERG. I don't quite follow, sir. Would you mind repeating your question, please?

Senator MILLIKIN. Yes. Our exports are about 10 percent of our total economy in this country. And I am simply suggesting that if, in order to permit that 10 percent we injure the 90 percent here, we have not done very good business.

Mr. RUTTENBERG. Well, if you injure the 90 percent; no; you certainly have not done very good business. But no one is claiming that the 90 percent is injured. As a matter of fact, the 90 percent would be enhanced considerably by the extension of the authority to negotiate reciprocal trade agreements. There are a few individual groups that are affected by the agreements, but I think the ascape clauses permit sufficient safeguard to those people.

Senator MILLIKIN. Let us take a look at the escape clause. The escape clause is not mandatory on the President, you know. He does not have to take the escape.

Mr. RUTTENBERG. There is an executive order, though, that has been issued on the subject, requiring that——

Senator MILLIKIN. No, not "requiring."

Mr. RUTTENBERG. Paragraph 10 of Executive Order 10004, dated October 5, 1948, says that—

> There shall be applicable to each concession with respect to an article imported into the United States which is granted by the United States in any trade agreement hereinfter entered into a clause providing in effect that if as a result of unforeseen developments and of such concessions such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to the domestic industry producing like or similar articles, the United States shall be free to withdraw the concession in whole or in part, or to modify it.

That starts off by saying, Senator, that there shall be applicable to each concession, with respect to an article, this escape clause.

Senator MILLIKIN. I quite agree that you are correctly reading what is stated there. But all that he has to do is consider that the public interest overrides the need for the escape. He is under no mandate, and you have not read any mandate, that because the Tariff Commission hands him a recommendation for an escape, he must take it.

Mr. RUTTENBERG. I can't think of any different and more logical and more reasonable way to approach the problem, however, than this.

Senator MILLIKIN. Let us take that by itself. I was making the point that the President is not required to take the escape because the Tariff Commission recommends it. Do you agree with me on that?

Mr. RUTTENBERG. If, after a hearing, and it has been determined that the conditions set forth in this Executive order and also in the paragraph which was included in the Trade Agreements Act, if it has been set forth that those conditions have not caused injury since the signing of the agreement, then obviously the President does not have to eliminate the concession which was granted.

Senator MILLIKIN. Let us assume——

Mr. RUTTENBERG. Yet the hearings would determine that. What better way is there for determining whether injury has been caused than by having a public hearing on the question?

Senator MILLIKIN. Let us assume now that the Tariff Commission has said that, "In our opinion an escape shall be taken on this particular article." The President does not have to take it, does he?

Mr. RUTTENBERG. He does not have to.

Senator MILLIKIN. No. And any reason that is sufficient to him is a reason for not taking it?

Mr. RUTTENBERG. Well, I can't quite see the President going contrary, though, to the recommendations that are made in this field.

Senator MILLIKIN. Let us see. Testimony here has shown that, in addition to the tests of injury to the domestic industry, the administration wishes to consider a lot of other things. It wishes to consider resource problems, it wishes to consider the general state of our international relations, half a dozen things outside of whether an injury is imposed on domestic industry. The President can refuse to make the escape for any and all of those reasons. He could refuse to make it capriciously. I do not say that he would. Somewhere is there an assurance of an escape if an American industry is being injured or threatened? Where is the assurance of it?

Mr. RUTTENBERG. It is a question of where one chooses to place their trust, I guess, and confidence.

Senator MILLIKIN. All right. Now, we come to the question of confidence. President Truman on two occasions has stated unequivocally that he would allow no domestic industry to be injured. President Roosevelt said the same thing before him. Mr. Clayton and others have been in here and have said the same thing. Neither President Truman nor President Roosevelt had the "but" in it, but in practice they have got five or six "buts" which have been fully developed here in the hearings. So there is no assurance any place along the line that a domestic industry will not be wiped out, if you please, to serve what the President might consider to be a larger public interest.

Mr. RUTTENBERG. When have such things happened, Senator?

Senator MILLIKIN. I am not ready to say; I am not ready to say that any such thing has happened. But the evidence does not show that there have been many "escapes" before the President. I do not think he has had any to consider. They get blocked up before they get there.

Mr. RUTTENBERG. I understand about half of the applications for escape that have been filed have been upheld.

Senator MILLIKIN. I do not believe that the question of whether it has happened is a complete answer, unless you want to run this Government on a postmortem basis. When you make your contracts for your workers, you are making them with some prevision, I would say considerable prevision. We are supposed to do that around here. If you are planning a business or planning a pay roll, the better assurance that you have that you will continue to be in existence, the better business you can do.

At the present time, I am suggesting to you that, especially under the bill which you are recommending, there is no mandatory provision anywhere that any domestic industry shall be saved from serious injury or the threat of it.

Mr. RUTTENBERG. Of course, there was not any such mandatory provision in last year's bill, either.

Senator MILLIKIN. No. That brings me exactly to what I was coming to. The administration's viewpoint on the protection of American industry is sharply delineated by the very thing that you are talking about. All we asked in the last bill, in the present law, was that if the President does go below a peril point, that he state his reason. They do not even want to state the reason for dong it. And it developed here in the hearings it is those five or six "buts" that I am telling you about.

Mr. RUTTENBERG. Of course, I think the problem becomes a little more important than that. The administration, the best way to determine the reduction of tariffs is through negotiations, through round-table discussions, as we would choose to call it in the labor movement, through collective bargaining.

Now, under the present law, collective bargaining is done by excluding as a member of the collective-bargaining team for the United States these very people, the Tariff Commission, whom you indicate are to set the peril points.

Would it not be far more advantageous for the sound collective-bargaining principles involved, to let the Tariff Commission determine, as it always has done anyway, what should be done and what should not be done, and under their own understanding they have never made public peril statements, but when they have come into past negotiations they have come in with analyses and studies which the Federal Tariff Commission makes.

Now, those studies come in, but there is not a person on the Trade Agreements Committee representing the Tariff Commission who can really talk intelligently about the Tariff Commission's point of view.

The way to settle the problem, it seems to me, is around the collective-bargaining table in advance of any public announcement.

Senator MILLIKIN. I respectfully suggest you are under an error of fact. The role of the Tariff Commission, so far as providing the facts to other agencies of the Government, is not cut down one bit.

Mr. RUTTENBERG. No, not at all.

Senator MILLIKIN. By the present law, not the slightest. The Tariff Commission is open for advice, it is open for counsel, it is open for anything but the affirmative act of negotiation and participating in the making of the trade agreement.

Now, I suggest there is a very good reason for that. The Tariff Commission is to report to Congress, which is separate from the execu-

tive department. I suggest it is not sound governmental policy to be having legislative agencies, or the agent of the legislative body, to be mixing its functions and its authority in the performance of the executive duties.

Mr. RUTTENBERG. Yet where their functions have to do with the same problem, we in the labor movement cannot help but feel that the way to settle them is around the collective-bargaining table; and not out in the open with the Tariff Commission declaring its peril points, and the Trade Agreements Committee coming to a decision, recommending to the President, and he accepts that decision, to reduce the tariff below the peril point, and then you get a public discussion between two Government agencies over the problem. You avoid that by collective bargaining in advance.

Senator MILLIKIN. In the last analysis, I suggest there are two points of fallacy in your suggestion. In the first place, if you believe in the principle of safeguarding the domestic industry, the procedure prior to the present act was weighted with all kinds of considerations of the nature we have discussed, other than the safeguarding of the domestic industry. Therefore, it was the theory of the present act that there should be one agency, at least, to bring sharply to the President's attention that so-called peril point. The other agencies still continued to act. They are looking after the exporters' interest, the Army's and farmers' and consumer's interest, and they pass their conclusions to the President. He, in the last analysis, has all of those conclusions beforeh im, and he can pick any part of the showing that he wants to make up his decision, and he can go below the peril point. All he hast o do, to go below the peril point, is to say why. What is wrong with that?

Mr. RUTTENBERG. It engages in confusion with another Government agency, with an arm of the Congress.

Senator MILLIKIN. There is no time the President disagrees with any recommendation that is made to him that you do not have that confusion. What of it? The President vetoes a bill. Thus he is disagreeing with another agency of government, which adds to the confusion. There is always at least some kind of a final decision. What of it?

Mr. RUTTENBERG. In the negotiation of trade agreements, such misunderstanding should be avoided, as the feelings that exist on behalf of the country involved are very important to take into consideration from the standpoint of foreign policy; and if that public discussion can be kept out of the public print, that foreign country's position is considerably improved in relation to the trade agreement being negotiated.

Senator MILLIKIN. I would like to oppose that argument by stating that the more public discussion, the better. I think that every worker, everybody in this country, is entitled to know what is going on in Congress and in the White House that bears on his pay envelope, and that the more public discussion we have, the better. The President of the United States comes out and says, "I have gone below this peril point." It is not to be assumed that he goes below it capriciously, but the people of the United States are entitled to know why he did it. If he has some overriding public-welfare reason for doing it, he can

state if, and he will not have any trouble selling it to the American people. But if he is disregarding his own pledge to see that no industry is injured, if he disregards that and is acting without reference to it, in that case, and in that case only, I suggest, would there be any embarrassment for him, and that would be very wholesome embarrassment.

Mr. RUTTENBERG. I still contend, and I repeat, that I think that it is in the interest of the country as a whole, and in the interest of the trade-agreements program, that the Tariff Commission be permitted to be members of the Trade Agreement Committee, and that they follow at that point the sound principles of collective bargaining to determine what should or should not be the concession made to any particular country.

Senator MILLIKIN. The trouble with that, if you agree that the industry should be safeguarded, you are bargaining away the safeguard. That is the difficulty with that type of collective bargaining. Otherwise, there would be unanimity on the Tariff Commission finding the peril point.

I think I should ask you now, categorically, do you approve of the standard which President Truman and President Roosevelt stated in the letters to which I have referred, that no domestic industry will be seriously injured?

Mr. RUTTENBERG. Certainly I subscribe to that, and the statement indicates that we do, the statement that I have read indicates that we do subscribe to the general thesis that no industry should be materially affected by the program. If they are materially affected by it, they have rights, prior to the negotiation of the reciprocal trade agreements, by appearing before the Committee on Reciprocity Information, and later in appearing before the trade agreements committee of the Tariff Commission.

Senator MILLIKIN. That brings us to the precise reason for the present law. Despite your view of the matter that no domestic industry should be materially injured, despite the declarations to which I have referred by the President and by State Department officials, yet Mr. Clayton, Mr. Thorp, and all of the representatives of the State Department have said very frankly that that is not the exclusive test; that that is mitigated or amended or changed by five or six other factors. That is what happens in the collective bargaining. Collective bargaining is just a dilution of that principle.

Mr. RUTTENBERG. "Materially affected," I think, is the significant concept involved.

Senator MILLIKIN. "Seriously injured" are the words.

Mr. RUTTENBERG. I say "materially affected," that is the problem involved. We have to certainly keep in mind that unless we can encourage imports into this country, we will not be able to establish sound governments abroad; because those governments abroad, unless they can ship products to us, will not get the necessary exchange to buy products from us which they vitally need. I think those are important considerations.

Senator MILLIKIN. Would you limit that by saying that in the application of that principle, no domestic industry shall be seriously injured?

Mr. RUTTENBERG. I think the question of "serious" is one which bears some examination.

Senator MILLIKIN. Do you want me to read the letter?

Mr. RUTTENBERG. I am familiar with the letter you refer to.

Senator MILLIKIN. The President did not say that. The President said "no domestic industry will be seriously injured or threatened with serious injury."

Mr. RUTTENBERG. I think the operation of this program in the 14½ years in which it has been operating indicates that there has been no major industry in America seriously affected by the trade-agreements program.

Senator MILLIKIN. Let us assume that that is correct, for the purposes of discussion. Let me ask you again, regarding this important requirement to which you are referring, do you qualify that by saying, "but that no domestic industry shall be seriously injured or threatened with serious injury"? Do you qualify it to that extent?

Mr. RUTTENBERG. Yes.

Senator MILLIKIN. Then if you qualify it to that extent, then you are in disagreement with the State Department and now with the President. Let me make that clear.

Mr. RUTTENBERG. The Executive order, though, specifically says "seriously threatened" or "seriously affected" or "threatened to be seriously affected."

Senator MILLIKIN. I say that you are in disagreement with both the President and the State Department, in that the President is now supporting the present bill, which would permit him to avoid entirely the "serious injury" rule, without even giving an accounting or an explanation. That is the latest development of the Presidential theory, and the State Department makes no bones about it at all, that the "serious injury" test, to them, is qualified by a half a dozen if's, but's, and maybe's.

Mr. RUTTENBERG. The question you are raising is whether or not there is inconsistency between paragraph 10 of Executive Order 1004 which sets forth the escape-clause principle, and the peril-point procedure of the Tariff Commission.

Senator MILLIKIN. What I am raising is whether there is inconsistency between Mr. Ruttenberg and Mr. Truman and Mr. Acheson.

Mr. RUTTENBERG. I don't think that is the important consideration.

Senator MILLIKIN. The reason I snapped at that, I thought, "For goodness sake, we have a convert here."

Mr. RUTTENBERG. No, we don't; no, we don't. No.

Senator MILLIKIN. I would remind you that there is something in the Bible to the effect that the angels in heaven rejoice more over one repentant sinner than over the ninety-nine who do not need repentance.

Mr. RUTTENBERG. I can understand that. But let me make my position perfectly clear. Under the present law there is nothing which will really determine whether an industry is seriously affected or threatens to be seriously affected, except the peril-point principle of the Tariff Commission.

Senator MILLIKIN. Yes.

Mr. RUTTENBERG. On the other hand, in the reciprocal trade agreements program, as it operated up until last year, and as proposed in

H. R. 1211, you then revert back to the principle of the Executive order, which also goverened during the peril-point procedure. There again, it specifically states that there shall be an escape clause that determines whether or not an industry is seriously affected or threatens to be seriously affected, so I don't see any inconsistency between President Roosevelt's and President Truman's statements which you refer to, that no industry will be seriously affected, and the Executive order which determines the program.

Senator MILLIKIN. Let me make it a little clearer. The President, President Truman, said without any if's but's, and maybe's, "no domestic industry is going to be seriously injured or threatened with serious injury."

Mr. RUTTENBERG. And they set up this Executive order.

Senator MILLIKIN. No if's, but's and maybe's, that was the Presidential assurance to Congress in connection with extensions of this act, so it was not an off-the-cuff statement. It was not something where honesty would permit a lot of mental reservation. It was supposed to be an honest statement of a guiding principle, and several extensions were given on those assurances.

We have before us a bill which has been recommended by the President, where he wants the right to go below the peril points; to injure domestic industry and not even make an explanation. There is no sense to his recommendation unless that is the purpose.

Mr. RUTTENBERG. The only thing I can say is that I just don't agree with your position.

Senator MILLIKIN. And I want to bring to your attention again, Mr. Ruttenberg, the reason we put that in, because the State Department makes no bones at all that the test of "serious injury" or "threat of serious injury" to American industry is not the exclusive test; that they modify, ameliorate, and mitigate it with half a dozen other tests. That is why we put that in there, so that there would be one place that would focus on this point of injury to domestic industry, and that would go to the President, and everything else could go to the President; but if he went below that, he should make a simple explanation.

Mr. RUTTENBERG. It is pretty hard in advance for the Tariff Commission to determine what are peril points. They are not omniscient in this, either, and that is why you have your Trade Agreements Committee.

Senator MILLIKIN. I agree with you, Mr. Ruttenberg, to that extent. But if the President looks at their recommendations and, from the other information available to him or which he can get, he says, "This is cockeyed, I will not follow it," all he has to do is to go to whatever point he wants to, within 50-percent limits, and make a simple explanation to the American people. And if he is right, they will sustain him.

Mr. RUTTENBERG. I only say that, I think, can be done better around the collective-bargaining table, with the Trade Agreements Committee, of which the Tariff Commission is a member.

Senator MILLIKIN. Since these other factors come into it, I suggest that that process merely dilutes that simple principle. You spoke of the element of time. You objected to the 1-year extension of the last act on the ground—may I ask you what the ground was?

Mr. RUTTENBERG. Well, you just don't negotiate trade agreements in a period of a year. By the time ou get one negotiated it might take

1 or 6 or 9 months, by which time the country might not want to agree to it because there are only a few months left.

Senator MILLIKIN. When we passed the act in 1948, at that time about half a dozen nations had signed up on the Geneva agreements. Subsequent to that act, which was supposed to break the heart of the world and bring reciprocal agreements to a complete stop, 22 out of 23 of the nations signed up; and, subsequent to that, 13 nations have accepted invitations to negotiate in France in April.

Mr. RUTTENBERG. In the hope that the administration would, now that the new administration had come in, extend the act.

Senator MILLIKIN. Yes; but the State Department said that they will have those agreements concluded within a couple of months, before this act expires.

Mr. RUTTENBERG. You mean the April conference?

Senator MILLIKIN. Yes; they expect—the items are small, mostly unimportant—they expect to have it finished within 2 months, which is not a considerable time, but in ample time before the present act expires.

Mr. RUTTENBERG. Yet there is a lot of planning; a lot of work and time is involved in the planning for the conference, and you just don't plan and schedule the conference and get it all done in a period of 2 or 3 months.

Senator MILLIKIN. I agree. That is being done right now.

Mr. RUTTENBERG. That had to be done during the extent and life of the trade-agreement authority.

Senator MILLIKIN. That is right, but the Trade Agreement Act under which you are operating did not prevent this. They are doing that. They have invited the nations. They will meet in April, and the State Department thinks they will finish in a couple of months.

The CHAIRMAN. As I understand your viewpoint, it is this: That inasmuch as the organic act itself, and all of the renewals thereof except the last—and the last, I believe, has the same provision in it—provides that before concluding any trade agreement the President is required to seek information from and advice from certain agencies of Government, and the first one listed is the Tariff Commission, that presumably the President will certainly listen to the advice of that Commission; if the Commission should lay down a peril point and say, "You must not go below this, in our judgment," he would certainly give some consideration to it. But it also leaves open for the President to seek the advice, the information from and advice of the various other agencies of Government.

And you think that is reasonable assurance, at least, that whatever the Tariff Commission itself might be able to give to the President by way of advice and information would be more effective in the negotiating of a trade agreement than the device last year inserted in the act, where the Commission itself was segregated, set aside, and set apart, to find these peril points, although the President, of course, had finally the same power and authority to seek information and take the advice of other agencies of Government in reaching his decision as to whether he would follow them and stay above those peril points or go below them.

I also understand your position to be that when the President, by an Executive order, provides for an escape from any one of these

treaties if he finds serious injury resulting or threatened, that it must be assumed that the President, whoever the President is, will act in good faith and exercise his authority and power if it is made to appear that the escape clause should be invoked.

Mr. RUTTENBERG. You have correctly summarized the position which we take.

The CHAIRMAN. Thank you very much for your appearance.

Mr. RUTTENBERG. Thank you very much. It was a pleasure to be here.

(Tables 1 and 2 are as follows:)

TABLE 1.—*The Economic Report of the President to Congress, January 1948 (p. 134, as revised to date) gave these figures*

	Exports as percent of total production		
	1939	1946	1947
Agricultural machinery and implements	16.6	16.0	21.2
Chemicals and related products	5.3	6.1	(1)
Bituminous coal	3.0	7.7	11.1
Electrical machinery and apparatus	5.9	6.8	7.7
Freight cars	.7	19.5	19.0
Lumber	4.4	2.1	4.5
Motortrucks	21.4	19.7	20.3
Passenger cars	5.3	6.7	7.3
Rolled-steel products	7.2	9.8	10.5

[1] Not available.

TABLE NO. 2.—*Employment attributable to exports from the United States, by industry group, 1939, and January–June 1947*

Industry	Number of employees (in thousands) in nonagricultural establishments [1]						Percent of employees in nonagricultural establishments dependent upon exports	
	1939		First half 1947					
	Total	Dependent upon exports [2]	Total	Dependent upon exports			1939	First half 1947
				Total	Directly	Indirectly		
All groups	30,288	944	41,963	2,364	1,189	1,175	3.1	5.6
Food, tobacco, and kindred products	1,258	29	1,610	59	50	9	2.3	3.7
Iron mines, steel works, and rolling mills	483	53	665	131	67	64	10.9	19.7
Iron and steel products [3]	600	38	1,054	113	54	60	6.3	10.7
Electrical machinery	425	30	909	105	91	14	7.2	11.5
Machinery, except electrical [4]	777	92	1,570	246	221	25	11.9	15.7
Motor vehicles	466	44	955	133	124	8	9.3	1.39
Transportation equipment, except motor vehicles	241	26	636	61	58	3	10.7	9.6
Nonferrous metal and their products [5]	267	38	423	61	23	38	14.4	14.5
Nonmetallic minerals and their products [6]	439	21	610	47	30	17	4.7	7.7
Petroleum production and refining	295	32	382	34	19	15	11.0	8.8
Coal mining and manufactured solid fuel	504	39	505	94	58	35	7.7	18.5
Manufactured gas and electrical power	432	13	458	22	-------	22	3.0	4.7
Chemicals	445	38	753	84	57	28	8.5	11.2
Lumber and furniture	850	35	1,203	75	37	38	4.2	6.2

Footnotes at end of table.

TABLE NO. 2.—*Employment attributable to exports from the United States, by industry group, 1939, and January–June 1947*—Continued

Industry	Number of employees (in thousands) in nonagricultural establishments [1]						Percent of employees in nonagricultural establishments dependent upon exports	
	1939		First half 1947					
	Total	Dependent upon exports [2]	Total	Dependent upon exports			1939	First half 1947
				Total	Directly	Indirectly		
Wood pulp, paper, printing and publishing	893	29	1,165	65	27	38	3.2	5.6
Textiles and apparel	2,129	55	2,569	242	187	54	2.6	9.4
Leather and leather products	383	10	396	19	17	3	2.7	4.9
Rubber	150	12	286	42	23	19	7.7	14.7
All other manufacturing [7]	432	20	695	61	48	13	4.5	8.8
Construction	1,150	------	1,605	------	------	------	------	------
Transportation	1,984	133	2,699	266	------	266	6.7	9.8
Trade	6,614	114	8,439	295	------	295	1.7	3.5
Business and personal services [8]	5,215	44	7,088	109	------	109	.8	1.5
Government, Federal, State, and local	3,857	1	5,289	2	------	2	(9)	(9)

[1] Totals do not in all cases add exactly because of rounding.
[2] The estimates shown here are revisions of those published in the Monthly Labor Review, July 1945.
[3] Includes iron and steel foundry products and iron products not produced in the blast furnaces and steel works and rolling mills industry.
[4] Includes agricultural machinery, tractors, engines and turbines, machine tools and accessories, heating equipment, merchandising and service machines, industrial equipment, and household equipment.
[5] Includes nonferrous metal mining.
[6] Includes nonmetallic mineral mining.
[7] Includes products such as professional and scientific instruments, clocks and watches, jewelry, photographic apparatus, optical instruments and ophthalmic goods, surgical and medical instruments and supplies, etc.
[8] Includes communications, finance, and services.
[9] Less than one-tenth of 1 percent.

Source: U. S. Department of Labor, Monthly Labor Review, December 1947. (Article by Mr. Marvin Hoffenberg).

The CHAIRMAN. Mr. Parker, will you come around, please, and we will see whether we will have time to finish with your testimony.

STATEMENT OF LEWIS R. PARKER, EXECUTIVE VICE PRESIDENT, ALBANY FELT CO., ALBANY, N. Y., APPEARING ON BEHALF OF THE WOVEN-WOOLEN FELT INDUSTRY

Mr. PARKER. I have tried to make my statement comparatively brief, sir.

The CHAIRMAN. How long is your statement?

Mr. PARKER. It should not take me over 5 minutes to give my statement.

The CHAIRMAN. Suppose you proceed with the statement. Give your name, and for whom you appear, to the reporter.

Mr. PARKER. My name is Lewis R. Parker. I am the executive vice president of the Albany Felt Co. of Albany, N. Y., and I appear before this committee on behalf of the woven-woolen felt industry.

The woven-woolen felt industry consists of 12 companies which manufacture all of the woven-woolen felts produced in the United States. The principal use of these felts is in the manufacture of paper, and

these felts are absolutely essential to the production of pulp, paper, paperboard, and a great number of similar products.

The woven-woolen felt industry in the United States is about 100 years old. It has a gross annual output of $17,500,000 and employs more than 3,500 persons, most of whom are highly trained. Woven-woolen felt mills are located in New York, Maine, Ohio, Pennsylvania, Massachusetts, Wisconsin, and New Jersey.

This industry has, in the best American industrial tradition, contributed its full share to increasing the American standard of living by paying the highest wages in textile industry throughout the world, by offering the steadiest employment in the textile industry, by developing a highly skilled and remarkably stable labor force and by maintaining throughout its long history relatively peaceful labor-management relations as a result of free collective bargaining.

Senator MILLIKIN. What products are made out of woven-woolen felt?

Mr. PARKER. Mainly, these are endless felts that are used on paper-making machinery. They are also used on other types of machines.

In this industry labor constitutes an extraordinarily high percentage of the total manufacturing cost—labor which must, for the most part, be highly skilled. I think the committee may get some conception of the difference between the production of felts and ordinary textiles if it realizes that looms for the manufacture of woven felt may be as wide as 48 feet, whereas the average of looms in the textile industry varies from 36 to 92 inches.

Senator MILLIKIN. How many people would work on those looms?

Mr. PARKER. Always one, and sometimes two, depending on the coarseness. We have woven fabrics that are wider than the length of this room, by weaving them double.

In the woven-felt industry the great variation in the specifications of felt and the elaborate quality control which must be maintained to meet exceptionally fine tolerances necessitate the retention of an extraordinarily large factor of hand work. Felts must be tailored to individual paper-making machines which vary greatly in size, speed, and other specifications. In fact, they are seldom interchangeable as between machines. The degree of specialization is shown by the fact that felts range in width from 20 to 300 inches; in length from 3 to 235 feet, and in finished weight from 1 to 23 ounces per square foot. Automatic looms, which are used almost universally throughout the textile industry, cannot be adapted to the manufacture of paper makers' felts because of the extraordinary width of the looms, the short runs and the wide diversification of product. In many instances it takes as much time to set up a loom as to weave the felt. This limits the use not only of automatic looms but also of machine methods in preparing and finishing.

Senator MILLIKIN. Do you adjust the size of the loom to the particular job?

Mr. PARKER. Yes, sir. And two paper machines producing almost identical products and supposedly the same size, may very easily use a different size of felt.

What does this mean in terms of competition with foreign producers? It means that mechanization, which has been the great genius of American industry, cannot compensate in this industry for the

tremendous disparities in the standard of living and the standard of wages as between American workers and foreign workers. In fact, careful studies which we have made of felt production, both here and abroad, have led us to conclude that the output per man-hour of foreign felt mills is substantially the same as in the United States.

Under these conditions the tariff must be maintained if the United States industry is to live. I can remember the time when United States manufactured felts were sold throughout the world, and the export trade absorbed a substantial part of the production of the American mills. As high-speed paper making was introduced abroad, felt mills were established in Sweden, Finland, Germany, France, Argentina, Brazil, and Japan. United States felt manufacturers were driven in retreat from the world market and were saved from extinction in the domestic market only by a tariff which mitigated the disparity in wage costs. But the tariff policy which has been pursued by this Government since the adoption of the Reciprocal Trade Agreements Act in 1933 threatens to drive American manufacturers even from the domestic market and to destroy completely the woven woolen felt industry in the United States.

This, gentlemen, is not an exaggeration. On June 5, 1945, I appeared before this committee in opposition to the 1945 extension of the trade agreements legislation. On that day I listened to the testimony of Mr. Walter Cenerazzo, national president of the American Watchmakers Union, who presented what I thought was a conclusive case against the tariff reductions in the watchmaking industry. I urge the members of the committee to reread the testimony that Mr. Cenerazzo gave that day, for we are now witnessing the sad spectacle of one of the largest, oldest, and finest of the American watchmakers, the Waltham Watch Co., faced with what amounts to be bankruptcy through foreign competition.

The postwar consequences of an unwise tariff policy have been felt faster in the watchmaking industry than in the woven felt industry, since the center of foreign watch production is Switzerland, a neutral country not affected by the war. But as soon as the war-torn countries which are the principal felt producers replenish their domestic stocks and begin the export drive they are planning, the American felt industry can be destroyed by further tariff reductions.

I appear here this afternoon in opposition to H. R. 1211 because I know this committee does not wish to further bankruptcy and unemployment. The woven woolen felt industry believes that it has suffered enough damage as a result of the trade agreements legislation, and that that legislation should be permitted to expire at the end of the present fiscal year. However, if this committee does see fit to recommend the extension of trade agreements legislation, we strongly urge that it insist upon the safeguards contained in the Trade Agreements Extension Act of 1948 which constitute the minimum measure of protection to American interests.

We know well what happens when those safeguards do not exist. In 1935, in the trade agreement with Sweden, the ad valorem duty on woven woolen felts was cut 50 percent—a greater general cut than that imposed upon any other part of the woolen industry.

Thereafter, in December 1946, the industry was again faced with the possibility of further tariff cuts. At that time the problem was

given careful study not only by management but also by the labor groups within the industry, and a combined statement was submitted under oath on behalf not only of management but by a local union of the CIO as well as local unions of the AFL. Mr. John Hoda, an official of the United Textile Workers of America, an AFL union, appeared and gave most persuasive testimony in opposition to tariff reductions before the Committee on Reciprocity Information.

The combined statement of labor and management, a copy of which I have here, as well as the oral testimony of Mr. Hoda, were of no avail.

The negotiators at Geneva proceeded with an additional cut, thus bringing about under the reciprocal trade agreements program a total cut in the tariff on most felts from a level of 60 percent to a mere 20 percent.

We are satisfied that tariff reductions on woven woolen felts have reached or surpassed the peril point and that under present legislation the Tariff Commission would so find. But if the Congress enacts H. R. 1211 in the form in which it now appears before this committee, the fate of the woven woolen felt industry will depend solely upon the whim of the officials who are charged with the negotiation of new trade agreements. Those officials have already shown beyond all shadow of doubt that the destruction of a 100-year-old industry or the unemployment of 3,500 trained and skilled workers are matters of trifling consequence in relation to the grandiose political and economic objectives which bemuse and preoccupy them.

I ask leave of this committee to extend my remarks in the record.

The CHAIRMAN. You may do so. You may extend your remarks as you wish in the record, and if you are prepared to do so, you may give it to the reporter now.

Mr. PARKER. I have done so, sir.

(The statement referred to is as follows:)

EXTENSION OF STATEMENT SUBMITTED TO THE SENATE COMMITTEE ON FINANCE ON BEHALF OF THE WOVEN WOOLEN FELT INDUSTRY IN OPPOSITION TO H. R. 1211

FEBRUARY 22, 1949.

CHAIRMAN,
Senate Finance Committee,
Washington, D. C.

DEAR MR. CHAIRMAN: This statement is submitted in amplification of my testimony on behalf of the woven-woolen felt industry of the United States in opposition to H. R. 1211.

The woven woolen felt industry consists of 11 companies which manufacture all of the woven woolen felts produced in the United States. The principal use of these felts is in the manufacture of paper, and a large proportion of the felts is sold to domestic paper producers. The industry has a gross annual output of approximately $17,500,000, is geographically distributed over the eastern and middle western sections of the United States, and employs approximately 3,500 persons.

The woven woolen felt industry has appeared before this committee in past years in opposition to extensions of trade-agreements legislation. The industry has not changed its views; it believes that trade-agreements legislation should not be extended but should be permitted to expire at the end of the present fiscal year. However, if this committee does see fit to recommend the extension of trade-agreements legislation, the industry strongly urges that, as a minimum measure of protection for American interests, it insists on the retention of the safeguards contained in the Trade Agreements Extension Act of 1948 (Public Law 792, 80th Cong.) and further that it limit any extension to 1 year.

The bill now before this committee contemplates two fundamental changes in existing legislation as embodied in the Trade Agreements Extension Act of 1948. It amends section 350 (a) of the Tariff Act of 1930, as amended, by deleting most of the standards for the guidance of the President in the administration of the law, and it eliminates the functions of the Tariff Commission in the determination of peril points for the protection of the American domestic industry. These two changes will be separately considered.

PROPOSED MODIFICATION OF SECTION 350 (A) OF THE TRADE AGREEMENTS ACT

The Trade Agreements Act has provided, since its original enactment in 1934, that the President shall exercise the powers provided under the act "for the purpose of expanding foreign markets for the products of the United States (as a means of assisting *in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public, and* in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce)."

The bill now before this committee proposes the deletion of the italicized words. The effect of this deletion is to change completely the purposes which the President is to seek to accomplish in administering the law. As is clear from a reading of the above provision, the ultimate objective of the trade-agreements legislation was the furtherance of the American standard of living and the increase in the purchasing power of the American public. This objective was to be attained through the expansion of foreign markets, but the expansion of foreign markets was regarded as a means of accomplishing this ultimate objective and not as an end in itself. The elimination of the italicized words makes the expansion of foreign markets the sole objective of the legislation, qualified only by the provision that it is to be considered "a means of assisting * * * in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce." Under the bill as now drafted, the President may enter into agreements solely for the purpose of expanding foreign markets even though such agreements result in the practical destruction of existing domestic markets, with a consequent impairment of the American standard of living and a depletion of the purchasing power of the American public.

Such a construction is by no means fanciful when read in the context of the other provisions of the bill which eliminate the duties of the Tariff Commission in protecting American industry. Read as a whole, the bill carries the clear implication that the framers of the legislation consider the expansion of foreign markets to be all that matters and that the President in administering the bill should not concern himself with the fate of American industry or the welfare of the American people. This is the spirit which the State Department has manifested all too much in past trade-agreements negotiations. It should not be given congressional sanction.

PROPOSED ELIMINATION OF THE FACT-FINDING FUNCTIONS OF THE TARIFF COMMISSION

The existing legislation provides that the Tariff Commission must determine so-called peril-points beyond which tariff reductions will injure or have injured specific American industries and that, if the President disregards these peril-points, he must explain to Congress the reasons for his action or nonaction.

This provision was inserted to prevent overzealous officials from committing the United States to agreements which would seriously damage American industry and to provide a means of rectifying the damage already done by such agreements. In enacting this provision Congress recognized that officials preoccupied with broad political or economic objectives are not unprejudiced judges as to what might injure American industry. The determination as to probable injury to American industry is a difficult economic question, which can be safely determined only when divorced from theoretical conceptions of international free trade.

The Congress of the United States has wisely provided in the existing legislation that the responsibility for this determination be entrusted to the Tariff Commission, the one agency of the Government which has, over the years, been concerned with the effects of tariffs on American business and which has only recently completed a study of the effects on American industry of the tariffs on some 3,000 items.

The present legislation has been in effect but 7 months and those opposing its provisions have made absolutely no showing that the procedural requirements of the 1948 act are either onerous or unworkable. In seeking to eliminate these provisions they are moved by a fear of facts—a fear that if the truth is objectively found by an impartial body the negotiators of international trade agreements will be seriously inhibited. What other interpretation can be given to the urgency of their opposition? The present legislation does not prevent the President from acting in disregard of the findings of the Tariff Commission; it merely provides that when he does so he must advise Congress. The proponents of the bill now before this committee seek to prevent the facts from being brought to the attention of Congress, apparently in the belief that if Congress is not made acquainted with the facts the negotiators of trade agreements will have a fine free hand to achieve the objectives in which they believe—the expansion of foreign markets irrespective of its effect on American industry.

Under earlier legislation the negotiators of trade agreements have had and have exercised this fine free hand. Nowhere is this better shown than in the case of the woven-woolen felt industry. In 1935, acting under the law existing prior to the 1948 amendment, the administration reduced ad valorem duties on woven-woolen felts by approximately 50 percent. But this did not satisfy them. When in 1946 the administration announced its intention to negotiate further reductions in felt tariffs, both management and labor in the woven-woolen felt industry united in presenting to the interdepartmental committee a comprehensive statement of the facts which showed that a further reduction would cause certain and irreparable damage to the American domestic industry. The officials charged with the negotiations at Geneva in 1947 acted in complete disregard of this statement, a copy of which is attached as an exhibit to this letter. The result was a further series of reductions in felt tariffs of approximately 25 percent. The effects of these reductions are just beginning to be felt, and the future of the domestic industry is in great peril.

CONCLUSION

The proponents of H. R. 1211 not only wish to keep the facts from Congress, they also seek to deprive Congress of the opportunity to scrutinize their activities by an annual reconsideration of the legislation itself. In the opinion of the woven woolen felt industry, this is merely a confirmatory indication of the intention which animates this bill—an intention to destroy the whole structure of American tariffs through trade-agreements negotiations without being inhibited by considerations of the national economy.

Last year Congress wisely limited the extension of the trade-agreements legislation to 1 year, knowing that economic conditions are not static phenomena and that the sound development of the American economy requires a flexible rather than a doctrinaire approach to economic problems.

A doctrinaire approach has, from the beginning, characterized the proponents of the trade-agreements program, although economists have long recognized that a tariff policy which might have a legitimate purpose in a time of shortages could be wholly destructive in a period of deflation. What the next 3 years will hold for the American economy only the prescient or the doctrinaire is willing to predict. It is worth noting, however, that the most reliable economic opinion is not prepared to rule out the possibility of a major deflation with the concomitant contraction of the American domestic market, and some reputable economists are presently predicting an unemployment exceeding 3½ million during the coming year.

The woven woolen felt industry does not know what the level of American business activity will be during the next 3 years or even during the coming year. The industry does urge, however, that Congress recognize the possibility of changing conditions and not give additional life to the trade-agreements program for a period greater than 1 year. A 3-year extension would represent on the part of Congress an abdication of its responsibility toward American business and American economic interests for a period extending well beyond the prophetic capacities of responsible men.

Respectfully submitted.

LEWIS R. PARKER,
Chairman, Woven Wool Felt Industry Tariff Committee.

Senator MILLIKIN. Do you export any of your product?

Mr. PARKER. During the war and shortly afterward, we did export some. At the present time we have exported a little to countries like

Korea, which are under the jurisdiction of the United States, but as far as our export market goes, it has almost disappeared.

When I first went with our particular organization in 1928, we had a big business with China, Japan, Finland, Sweden, some with England, some with Canada, Norway, and other countries. That has gone by the board.

Senator MILLIKIN. What percentage of the product that you make comes into this country via imports?

Mr. PARKER. At the present time, due to the shut-down of mills in Germany and other European producing countries, there are very few imports.

I look on this in the same way that I would if I had fire insurance on my house for a good many years, although thus far it has not burned down. But I do know the prices at which felts are being sold in the export market, which precludes our competing with them; and I know that under this reduction from 60 to 20 percent, which is almost the biggest reduction that I have heard in listening to the testimony today or in investigating previous testimony, I believe it is an undue reduction.

Senator MILLIKIN. You believe that the present rate is inadequate for your protection?

Mr. PARKER. I believe that no rate at the present time could be said—let me correct that—I believe that the production abroad at the moment is not adequate to threaten the domestic industry. I feel sure that within a year or less than a year, that will not be true, and that we will be threatened. I have seen it happen in the few other sidelines that we manufacture.

Senator MILLIKIN. Do you have any factual basis for your fear as far as costs of your foreign competitors are concerned, or anything of that kind?

Mr. PARKER. Well, I do know this: In 1946, we made the following statement, which is about three-quarters of a page long, before the Committee on Reciprocity Information:

> All available figures for the European woven-felt industry are on a basis of wages per hour, and it has been impossible to obtain from any source statistics showing the wage cost per pound. However, since it has been shown that in this industry, productivity per man-hour is roughly the same in Europe and the United States, and approximately labor cost per pound for France can be calculated at 26.5 cents, and for the United Kingdom at 26.4 cents, from this computation it would appear that the disadvantage in wage cost per pound of felt as between the United States industry and that of France is 55.9 cents; and as between the United States industry and that of Great Britain is 56 cents.

Senator MILLIKIN. Is there any machinery available to you that is not available to the foreign competition?

Mr. PARKER. No, sir. If one man runs a big loom, he runs it the same way in Europe as he does here. In fact, when I first went into this industry, nearly all of the big looms were imported from Germany. It is only in the last 18 years that any have been developed over here.

Senator MILLIKIN. Would it follow from what you have said that in the rehabilitation of this business over in Europe, that they would come up with the latest in that machinery?

Mr. PARKER. I would think so. It would be very expensive for us to replace a loom, because many of them cost as much as $40,000 and $50,000 for one unit.

Senator MILLIKIN. That would add to your competitive disadvantage?

Mr. PARKER. Yes.

The CHAIRMAN. Are there any further questions?

Senator MILLIKIN. Could I ask one more question?

I did not get clearly just how your product is used. I understood you to say felts. Then you made several references to the paper industry. Is the use of the belt limited to the paper industry?

Mr. PARKER. That is the largest use, Senator. When paper is first produced or pulp is produced, it is largely 3 percent, roughly 3 percent fiber and 95 percent water. As the sheet is being formed, it has to have some conveyor to carry it. Otherwise, it would disintegrate. Generally it is poured out on a moving screen or collected on a screen cylinder. It is then carried by endless belts, of the sizes that I have given you, between squeeze rollers and between suction rolls, so that the water is gradually taken out of the paper until it has reached the point where it can carry itself.

It is really something without which a paper machine cannot operate.

Senator MILLIKIN. What type of wool do you use in making that?

Mr. PARKER. We used to use largely domestic wool, about 80 percent of domestic wool, but due to the fact that the coarser types of wool—we use, frankly, wools from 36's up to 75's and 76's, the whole range, practically.

Senator MILLIKIN. Do any of your competitors abroad have an advantage on the wool market?

Mr. PARKER. Yes, sir; I think those who can buy in the sterling area and then sell in the dollar area definitely have, on the wool market, about a 25 percent advantage.

Senator MILLIKIN. That is somewhat under the control of cartels, also, is it not?

Mr. PARKER. I think so.

Senator MILLIKIN. Thank you.

The CHAIRMAN. Thank you very much for your appearance.

Mr. PARKER. I had the privilege of appearing here several years ago, and I want to thank you again for your courtesy.

The CHAIRMAN. We were very glad to hear you, sir.

The next witness is Mr. Joseph Francis.

Mr. FRANCIS. I see the hour is late, and I am prepared to stay over until tomorrow. If there are some other witnesses that would like to go on now, it would be satisfactory to me.

The CHAIRMAN. I do not know of any other witnesses, Mr. Francis, except the ones that are on one particular subject, listed today. Is yours a lengthy presentation?

Mr. FRANCIS. It will take about 20 minutes, Mr. Chairman, and I would not press the issue had it not been for the fact that I was snowbound in Wyoming and we could not appear before the House Ways and Means Committee. At the suggestion of the chairman over there—we got in late—he asked us to carry our testimony over to here, that is, to your committee. So we would like to present it as we have it prepared, without briefing it any more.

The CHAIRMAN. Yes, sir. You may proceed.

Would you rather go over until tomorrow morning?

Mr. FRANCIS. I am rather tired: I don't want to impose on you, Mr. Chairman. I know you have been very patient.

The CHAIRMAN. I am just trying to get your viewpoint. What is your particular industry?

Mr. FRANCIS. I am representing, Mr. Chairman, about 8,000 mink and fox breeders in the United States, and we have a very serious problem confronting us with the issue before this committee. I think that the testimony is very important in regard to the passage of this law.

This is the first time, Mr. Chairman, in 20 years that we have ever appeared before your committee, and like I say, I don't want to insist on a lengthy statement while you are tired, and while it is late, and I know that we are pressed for time. But in view of the fact that there is nothing in the record concerning the effects of the reciprocal trade program on this industry, I feel that it should be seriously considered by the committee, and we should not limit further our points that we have to present to you.

The CHAIRMAN. It is 5:30, and we will let you go over until morning, since you can do so without inconvenience.

Mr. FRANCIS. Thank you.

The CHAIRMAN. I thought perhaps you wished to get away tonight.

Mr. FRANCIS. Thank you kindly.

Senator MILLIKIN. I have some communications here, one from the National Federation of Textiles, Inc. I would like permission to have that placed in the record. Also one from the Women's Patriotic Conference on National Defense. I would like to have that placed in the record. And one from the National Council of Farmer Cooperatives. I would like to have that placed in the record.

The CHAIRMAN. Yes; that will be done.

(The matter referred to is as follows:)

THE NATIONAL FEDERATION OF TEXTILES, INC.,
New York 16, N. Y., February 18, 1949.

Hon. EUGENE D. MILLIKIN,
Committee on Finance, United States Senate,
Washington, D. C.

DEAR SENATOR MILLIKIN: The members of the National Federation of Textiles, Inc., are vitally concerned with the effect of foreign competition on their operations in the manufacture of textile fabrics, particularly those of rayon and synthetic fibers. The membership of our organization comprises mills representing about 75 percent of the manufacturing capacity for this type of fabric in the United States. We respectfully request your consideration of our point of view in connection with the hearings which the Senate Finance Committee is holding on this subject. Those views are covered in the enclosed statement, which was filed on January 28, 1949, with the Committee on Ways and Means of the House of Representatives.

We sincerely believe that the present form of the Reciprocal Trade Agreements Act is workable and fair to all in the carrying out of that program. At a time when the textile industry is faced with prospects of decreased public demand in the United States, and increased export plans of the older textile industries of other countries, we feel it is most important that the salient economic facts as to effects on employment in this country of all foreign competition should be brought out in the open. The present provisions for the United States Tariff Commission studies on all proposed negotiations are an assurance to American industry in this respect.

Very sincerely yours,

IRENE BLUNT, *Secretary.*

STATEMENT PRESENTED BY THE TARIFF COMMITTEE OF THE NATIONAL FEDERATION OF TEXTILES, INC., NEW YORK 16, N. Y. RE OPPOSITION TO SOME PROVISIONS OF H. R. 1211 ON RENEWAL OF RECIPROCAL TRADE AGREEMENT SECTION 350 OF THE TARIFF ACT OF 1930

The National Federation of Textiles, Inc., is a trade association, established in 1872, the regular members of which are the manufacturers of broad woven fabrics made of rayon and other synthetic fibers, of silk and of combinations of those fibers with cotton, wool, etc. The associate members are those whose products or processes are used in the manufacture or distribution of the fabrics made by the manufacturing members.

One hundred are manufacturing companies owning 214 plants in 142 communities, located in large and small towns from Maine to Georgia, along the eastern seaboard. They represent about 75 percent of the rayon and silk fabric industry, which employs, according to the most recent statistics available of the United States Department of Labor, 122,400 people earning at the rate of an annual pay roll of $312,700,000.

The products of our industry are among the most popular items subjected to the provisions of the Reciprocal Trade Agreements Act. The textile industry is world-wide. The industry in the United States is the outgrowth of knowledge originally gained in other countries and carried to this country by men who sought the freedom of opportunity in the United States in applying that knowledge. Because of the essential character of all forms of textiles, and the fact that the means of manufacture are not difficult to procure in any country which has made the slightest attempt at industrialization, textiles are seemingly one of the most common items in requests for concessions from other countries.

We have, therefore, been vitally interested in the administration of the reciprocal trade agreements program since its inception in 1934. Previous to that year changes in rates of duty to permit importation of textiles into this country were made the subject of open discussion in hearings before the Ways and Means Committee on any proposed tariff bill. It was possible to debate, openly and factually, the relative merits of all claimants. The services of the United States Tariff Commission were employed importantly and extensively in preparing nonpartisan analyses of facts as to imports and exports, costs of production both here and abroad, and other salient information bearing on the cases.

In that period quotas and exchange concessions were widely employed by other countries to circumvent the simple single rate duty policy of the United States. American manufacturers found themselves facing increasing imports from such countries as Germany and Japan, and unable to export because of the complicated trading concessions given by those same countries to others than the United States. It was then that the original Reciprocal Trade Agreements Act was passed on the very plausible ground that United States industry should be given the opportunity to trade across the board of import and export regulations that were being practiced elsewhere in the world. Thus, contended supporters of the legislation, American industry would be able to export its surplus of production, then stagnating in the markets of the depression. At the same time no trades would be made, it was said, without careful consideration of American domestic interests, and the President stated that the authority to be exercised "must be carefully weighed in the light of the latest information so as to give assurance that no sound and important American interest will be injuriously disturbed," for "the adjustment of our foreign trade relations must rest on the premise of undertaking to benefit and not to injure such interests."

The majority report of the Ways and Means Committee in behalf of the act attributed the depression to shrinkage of world trade, but a little heeded minority report raised a question that may have pointed a truer reason. The minority report pointed out that the value of the export trade to the American economy had been exaggerated. In 1929, the last year of predepression prosperity, export trade accounted for only one-seventeenth of the national income; and it might have been pointed out, too, that the industries which were considered to be among the worst affected during the depression (textiles was one of them) were among those which would be most immediately affected by competition with the low-cost production of other countries.

As negotiations under the new legislation proceeded, it was quickly learned by those industries used as pawns in the trading, our own textile industry, for example, that contrary to previous years, there would be no opportunity for open discussion as to what concessions were to be made and what effect the changes

would have on domestic industry. Notices would be given that negotiations were to be made, but nothing said as to what they were to be; only the names of the countries and the general tariff classifications of items were mentioned. The names of the countries meant nothing under the most-favored-nation policy where any concessions made were equally applicable to other countries, even though they might not have been in the original negotiation. The general tariff classifications were too broad to make intelligent action possibly by industry. Worst of all, there was no information supplied as to what the exact changes were to be, nor what concessions were being given the United States by other countries, in exchange.

This star chamber proceeding was out of character with the American way of handling such affairs. It was to be expected that industries chosen for the sacrifice would fight for their existence. That had been done before with greater or less success, considering the various tariff schedules adopted in this country since the Civil War. But at least the industries had previously had a chance to wage their fight against known conditions. Under the original reciprocal-trade agreement procedure, that opportunity was actually denied them, in spite of the mockery of a State Department hearing.

It was with that experience in mind that this federation, on behalf of its members, urged before your committee, on May 11, 1945, that if the policy of international trade bargaining were to be continued, it should be subject to administrative procedure which would mean open investigation, and open consideration of what bargains were being entered upon. We recommended strongly the former practice of having the United States Tariff Commission conduct non-partisan studies to determine the relative merits of the case, and that, finally, any bargaining agreement be subject to review by Congress, the only legal negotiators of treaties under the Constitution, and the body specifically named in section 8 of the Constitution to fix duties and regulate commerce with foreign nations.

We were, therefore, very encouraged last year to see that Congress had voted to give the Tariff Commission a clearer, more authoritative status in respect to future agreements; but we are now equally discouraged to find that Congress is being asked, in H. R. 1211, to reverse its position and not only repeal the Trade Agreements Act of 1948, but also to eliminate even the slight consideration given in the original 1934 act that "before concluding such agreement the President shall seek information and advice with respect thereto from the United States Tariff Commission, from the Departments of State, Agriculture, and Commerce, from the National Military Establishment, and from such other sources as he may deem appropriate."

From this proposal we infer that the President now desires to eliminate from fact-finding those agencies, except the State Department, most experienced in presenting facts. It is the State Department which has acted as the President's agent in all of these negotiations. It is the State Department, primarily experienced in questions of political expediency and not economic considerations, which assumes the role of leader in all negotiations.

The Tariff Commission, on the other hand, has demonstrated many times its ability to gather detailed data and analyze it impartially. It is only since the Tariff Commission has made public its studies of various industries of the United States and their history in world trade that we have had available to us data which would even serve as a basis for discussion. In our own industry, the Commission's trade-agreement digests, published in 1946, on both rayon and silk, were an immeasurable help in reviewing industry conditions, even though the Commission has itself been hampered by lack of information on foreign costs of production in postwar years. The Summary of Tariff Information series, published this year, still further adds to the enlightenment of those who wish to know what facts are being considered in negotiating trade treaties.

We believe that the President, his advisers, Congress, and all others participating in what is a relatively new international experience for the United States, the trade-agreement negotiation, cannot in good faith permit the representatives of this country to sit down with the more experienced negotiators of other countries with no provision for the preparation of adequate information as to the economic effects of such proposals; nor permit the actual negotiation to go into effect without even the relatively light rein over the results which Congress gave itself in providing that the Tariff Commission's advice must be heeded, as stipulated in the present Public Law 792. We also believe that Congress will find that other countries, despite their extensive experience in such matters, do not presume to effect such negotiations without the active advice and attendance of adequately

informed industry representatives. Such countries know full well that trade agreements are primarily economic in their impact on the nationals of their respective countries, and the economic effect is studied and considered.

Perhaps the very complexity of the foreign system of quota controls, currency controls, special intracountry taxes, etc., is evidence that a truly well thought out trade agreement is not a simple matter of cutting periodic slices of 50 percent from a single rate of duty as seems to be the present system of our negotiating representatives.

We earnestly ask for deeper consideration by the members of your committee of the far-reaching effects of such a change as that now proposed in H. R. 1211. On the eve of the returning industrial efficiency of such long-time chief competitors as Germany and Japan in the international textile picture, and the daily accounts of purchases of the latest type of textile equipment by other countries, much of it from the United States, there is more vital need than ever before to take no backward steps in providing for the widest possible fact-finding and open consideration of all matters affecting international trade in textiles. The United States Tariff Commission, a Government body of nonpartisan character, as appointed by Congress, should be the chief agency for such fact-finding in foreign-trade negotiations. If Congress wishes to delegate to others the power to change its trade treaties, then that delegation should be given only to those whose public duty it is to factually consider the effect of such proposals on the American industries involved.

We, therefore, respectfully urge that H. R. 1211 be revised as follows:

Section 2: This should be changed to read:

"The Trade Agreements Extension Act of 1948 (Public Law 792, 80th Cong.) is hereby extended for a further period of 2 years from June 12, 1949."

Section 3: This section should be eliminated.

Section 5: This section should be eliminated.

Respectfully submitted.

Tariff Committee of the National Federation of Textiles, Inc.: (chairman) Paul Whitin, Paul Whitin Manufacturing Co., of Northbridge, Mass., West Warwick, R. I., and Gilbertville, Mass.; Gardiner Hawkins, United Merchants & Manufacturers, Inc., of Jewett City, Conn., Clearwater, S. C., Bath, S. C., Elberton, Ga., Fall River, Mass., Wilmington, Del., and Old Fort, N. C.; Alan B. Sibley, Deering, Milliken & Co., Inc., of Abbeville, S. C., Greenville, S. C., Laurens, S. C., Spartanburg, S. C.; Irene Blunt, secretary, 389 Fifth Avenue, New York 16, N. Y.; John J. Goldsmith, Hess, Goldsmith & Co., Inc., of Kingston, Pa., Wilkes-Barre, Pa., Plymouth, Pa., and Pomona, Calif.; and H. D. Ruhm, Jr., Bates Manufacturing Co., of Lewiston, Augusta, and Saco, Maine.

TWENTY-THIRD WOMEN'S PATRIOTIC CONFERENCE ON NATIONAL DEFENSE

WASHINGTON, D. C.

RESOLUTION NO. 10, ADOPTED JANUARY 29, 1949, OPPOSING RECIPROCAL TRADE AGREEMENTS ACT

Whereas a healthy economy is necessary to a strong national defense: and

Whereas high wages and full employment form the foundation of a healthy economy; and

Whereas the products of other countries made by workers paid much less than workers producing comparable goods in this country can only result in increasing unemployment, a weakening of our economy and our strength for national defense; and

Whereas the reciprocal trade-agreement program has removed protection from our high-paid workers against the unfair competition of the low-paid workers of other countries, thereby threatening jobs of workers in industries important to our national defense; and

Whereas as a result the reduction of tariffs incident to the adoption of the Reciprocal Trade Agreements Act, grave injury already has been inflicted upon various industries in this country important to our national-defense program; and

Whereas imports into our country should be controlled by the imposition of proper tariffs by the exercise of our own sovereign right to serve as an equalizing

balance between the low wages of other countries and the high wages of the United States: Therefore be it

Resolved, That the Twenty-third Women's Patriotic Conference on National Defense urge upon Congress the repeal of the Reciprocal Trade Agreements Act as constituting an ever-present menace to our national defense and our economy and an unwarranted encroachment by the executive branch of the Government upon the legislative powers conferred upon the Congress by the Constitution of the United States.

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington 6, D. C., February 21, 1949.

Re Tariff Commission provisions of Reciprocal Trades Act

To Members of the United States Senate.

GENTLEMEN: Among the members of the National Council of Farmer Cooperatives are marketing associations participating in the export of cotton, rice, wheat, corn, feed grains, soybeans, deciduous fruits, citrus fruits, dried fruits, small fruits, nuts, potatoes, various processed fruits and vegetables, eggs and poultry, dry beans and peas, dairy products, and others.

There are also farmer purchasing associations which participate directly or indirectly in the importation of petroleum and its products used for farm power and fuel, fertilizer materials, twine, fibers and burlap materials, farm machinery and equipment and other farm supplies.

Many of our member associations are highly interested in the competitive imports of berries, meat products, tree fruits, citrus fruits, nuts, poultry and dairy products, feed grains and processed products of these.

The interest of our members in foreign trade is not academic or philosophical, but it is concerned with the function of our farmers' cooperative business institutions to preserve a sound agriculture as the basis for a sound economy in the United States.

However, with all their divergent regional, economic, political and, at times, competitive business interests, our member associations representing a farmer membership of 3,800,000 have been able to agree on a general principle which they believe should be incorporated in the renewal of the Reciprocal Trade Agreements Act.

At the annual meeting of the member delegates held at Memphis, January 3 to 6, 1949, it was agreed that the council:

1. Believes that international trade in agricultural products, both exports and imports, should be encouraged, aided and stimulated by Government in every legitimate manner designed to serve the best interests of the Nation's agricultural industry and the consuming public.

2. Urges that the provisions of the Reciprocal Trade Agreements Act of 1948 with regard to the functions of the Tariff Commission should be retained in the 1949 renewal of the act.

It is our conviction that the function of the Tariff Commission as an independent fact-finding body should be maintained and strengthened. Participation by the Tariff Commission in the negotiation of trade agreements makes it a party to the agreement, silences its members in any previous or subsequent fact-finding analysis of a proposed or approved tariff change, and thus destroys its function as a tariff research agency for the benefit of the public and for public agencies.

We believe legislators, administrators and the general public all benefit from a knowledge of the complete facts on the effects of tariffs on domestic industries.

Sincerely yours,

JOHN H. DAVIS,
Executive Secretary.

The CHAIRMAN. I wish at this point to submit the following statements for the record. These associations were unable to appear in the open hearings, but would like to have their views included in the record. They are as follows:

1. United States Cuban Sugar Council, David M. Keiser, chairman, New York.

2. Wine Institute, Edward W. Wootton, Washington, D. C.

3. National Council of American Importers, Inc., Morris S. Rosenthal, president, New York.
4. Committee on Commercial Policy, United States Associates, International Chamber of Commerce, Inc.
5. American Glassware Association, H. L. Dillingham, secretary, New York.
6. The Tariff Committee of the National Federation of Textiles, Inc., New York. (This statement appears elsewhere in the record.)
7. Synthetic Organic Chemical Manufacturers Association of the United States, S. Stewart Graff, secretary, New York.
8. Kaolin Clay Producers Association, Inc., W. B. S. Winans, president, New York.
9. United States Hop Growers Association, E. L. Markell, secretary, San Francisco, Calif.
10. The National Board of the Young Women's Christian Association of the United States of America, New York.
11. Toy Manufacturers of the United States of America, Inc., New York, Horatio D. Clark, secretary.
12. The Board of Christian Education of the Presbyterian Church in the United States of America, Philadelphia, Pa.
13. National Peace Conference, New York, N. Y.
14. American Cotton Manufacturers Association.
15. American Federation of Labor, Walter J. Mason, national legislative representative.
16. National Association of Wool Manufacturers, Arthur Besse, president.
17. National Wool Growers Association, J. M. Jones, secretary, Salt Lake City, Utah.
18. American National Retail Jewelers Association, Maurice Adelsheim, president, Minneapolis, Minn.
19. Cherry Growers & Industries Foundation, Robert E. Shinn, president, Corvallis, Oreg.
20. Northwest Horticultural Council, Frank W. Taylor, secretary-manager, Wenatchee, Wash.

(The matter referred to is as follows:)

STATEMENT BY UNITED STATES CUBAN SUGAR COUNCIL, NEW YORK, N. Y.

To the Finance Committee, United States Senate:

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT RECOMMENDED

Under the United States-Cuban trade agreement, first to be signed after the Reciprocal Trade Agreements Act took effect in 1934, trade between the two countries has increased substantially to the benefit of both. Therefore, the United States Cuban Sugar Council strongly recommends to this committee its approval of H. R. 1211 already passed by the House of Representatives to extend the Reciprocal Trade Agreements Act for 3 years from June 12, 1948.

The Council, one of whose primary objectives is to promote trade between the United States and Cuba, is composed of a group of companies owning or operating sugar properties in Cuba, the stockholders of which are predominantly United States citizens. Its member companies, listed at the end hereof, account for approximately one-half of Cuba's sugar output.

MUTUAL BENEFITS OF UNITED STATES-CUBAN TRADE AGREEMENT

In a statement submitted January 25, 1949, to the House Ways and Means Committee, copy attached, and in statements submitted last year to this com-

mittee and the House Ways and Means Committee, the council has set forth in considerable detail the benefits that have accrued to both countries under the United States-Cuban trade agreement. These benefits are summarized briefly here:

1. Both United States exports to Cuba and United States imports from Cuba have approximately tripled since the two countries signed the original trade agreement in August 1934.
2. For many individual commodities included in this trade, the increase has been even greater.
3. The greater trade volume has tended to raise the standard of living in both countries.

EFFECT OF TRADE AGREEMENT ON LIVING STANDARDS

Secretary of Agriculture Charles F. Brannan, in expressing to this committee the interest of United States farmers in the trade-agreement program, has told how it tends to raise the standard of living in this country. In letters to the chairman of this committee, Senator Walter F. George, and to the chairman of the House Ways and Means Committee, Hon. Robert L. Doughton, the Secretary said:

"Agriculture is interested in the trade-agreements program, not only in connection with agricultural exports but also in connection with industrial exports. * * *

"Sales abroad of products of the American factory result in greater employment and, consequently, greater domestic demand for products of the American farm. * * *

"But a high level of American industrial exports can be maintained * * * only when there is extensive interchange of goods and services between countries. The trade-agreements program is designed to facilitate such an interchange."

Observing that customers in other countries must obtain dollars in order to pay for United States farm products, the Secretary added:

"The most important continuing source of dollars for our foreign customers is their sale of goods to us—that is, our imports. Under the reciprocal trade-agreements program, we have developed a mechanism whereby we can reduce the barriers against imports into the United States in such a way as to increase those imporst without causing injury to established United States industry.

"The imports thus obtained tend to raise our living standards. The large block of our population represented by farm people is an important group of consumers. They know that the benefits of trade do not lie merely in getting rid of a maximum amount of goods. They want to get as much as possible in return. The trade-agreements program is designed to facilitate that."

Cuba's purchases from the United States have likewise contributed to raising the standard of living there. These purchases consist of such farm products as rice—for which Cuba is this country's most important customer—wheat, flour, and lard, and such manufactured goods as machinery and vehicles, cotton manufactures, and many others.

CUBA BUYS BULK OF ITS IMPORTS FROM THE UNITED STATES

Since 1909, more than half Cuba's total imports have been bought from the United States, and in 1947, the latest year for which complete statistics are available, the proportion reached 84 percent.

These purchases by Cuba have been paid for either in cash or on a short-term credit basis—a fact that becomes especially significant in the light of the recent annual report to the President by the Secretary of Agriculture.

In this report the Secretary commented that, while the Marshall plan had given United States farmers a respite from postwar readjustment, eventually "the respite will be over and our farmers will depend on the buying power of individual consumers at home and abroad. * * * It is not pessimism but prudence to remember the unusual and temporary character of a part of our present export market."

It should be noted that the latest semiannual report of the Foreign Credit Interchange Bureau gives Cuba top rating in credits and collections for the last half of 1948, substantiating its status as a preferred customer of the United States.

UNITED STATES SUGAR QUOTA SETS UP BARRIER TO TWO-WAY TRADE

Beneficial as the trade-agreements program has been to both the United States and Cuba, its advantages tend to be offset by the restoration under the Sugar Act of 1948 of severely restrictive quantitative trade barriers in the form of quotas imposed by the United States on the tonnages of sugar it permits producers in Cuba to supply to consumers here. Raw sugar comprises the bulk of United States imports from Cuba.

Total purchases from Cuba by the United States in the first 11 months of 1948 decreased 27 percent below the level for the first 11 months of 1947, largely because of the sharp curtailment of sugar shipments here from Cuba as the result of the Sugar Quota Act which became effective January 1, 1948. The effect on United States sales to Cuba was a decrease of 11 percent by November 1948 from the comparable months in 1947, and the decline may be expected to continue, with the full effect probably not becoming apparent for some months.

United States exports to Cuba include a very wide range of agricultural and industrial commodities produced in every section of this country, as is shown in the attached illustration.

COUNCIL'S VIEWS ON ONE PROVISO OF H. R. 1211

The council understands that the amendment proposed in section 6 of H. R. 1211 to section 350 (b) of the Tariff Act of 1930, as amended, is not intended to be part of any program to do away with existing trade relationships between the United States and Cuba, but is technically necessary to implement terms of the Geneva agreement, to which the United Staes and Cuba are signatories.

At this time, therefore, the council does not offer any objection to this section of the bill, since it is assumed that it will not be applicable to sugar or to any other commodity imported by the United States from Cuba in substantial quantities.

CONCLUSIONS

The threefold increase in trade between the United States and Cuba under the trade agreement between the two countries offers proof of the desirability of extending the act.

The people of both countries have shared in the benefits from this threefold increase in trade.

United States exports to Cuba on a cash or short-term-credit basis are important to United States farmers and manufacturers now and will probably assume even greater importance when the ECA program is concluded, as the United States Secretary of Agriculture has observed.

The trade agreement between the United States and Cuba was most beneficial when the quantitative limitations on the importation of Cuban sugar previously imposed by the United States were removed during the World War II period because increased sugar shipments from Cuba to this country were so vitally needed, although the trade-agreements program was mutually beneficial even while the quantitative barriers were in effect.

The council, for all these reasons, strongly recommends the extension either indefinitely or for the term specified in H. R. 1211 of the Reciprocal Trade Agreements Act.

Respectfully submitted.

UNITED STATES CUBAN SUGAR COUNCIL,
By RICHARD N. COWELL, *Secretary.*

Members of the Council: Caribbean Sugar Co., Central Hormiguero Sugar Co., Central Violeta Sugar Co., Cuban Atlantic Sugar Co., Guantanamo Sugar Co., Manati Sugar Co., Punta Alegre Sugar Corp., Tanamo Sugar Co., The American Sugar Refining Co., The Cuban-American Sugar Co., The Francisco Sugar Co., Tuinucu Sugar Co., United Fruit Co., Vertientes-Camaguey Sugar Co.

FEBRUARY 22, 1949.

BRIEF BEFORE THE SENATE FINANCE COMMITTEE EXTENSION OF THE RECIPROCAL TRADE AGREEMENTS ACT, SUBMITTED BY WINE INSTITUTE, FEBRUARY 21, 1949

This brief is addressed by Wine Institute, 717 Market Street, San Francisco, to the record in the current hearings before the Senate Finance Committee on the question of extension of the Reciprocal Trade Agreements Act. It is submitted

with the sincere hope that it may be of some value in resolving the quite divergent views heretofore expressed on each side of the question.

Mr. Thorp, the Assistant Secretary of State for Economic Affairs, stated before the committee on February 17 that "the present issue is largely procedural." In this we concur. Our concern is not with the already well-established foreign-trade policy of the United States, but rather that there shall be assured a fair and orderly procedure in its administration, and that the adequacy of this procedure shall be clear upon its face for all concerned to see.

Our own experience prior to the 1948 act among winegrowers, not only in California but also in the other winegrowing States, and with other agricultural producers similarly situated, showed clearly that there was a strong feeling among a substantial number of individuals that the Government would ignore or unduly minimize any case presented tending to show possible or probable injury from proposed duty concessions.

Our own conclusion was that this feeling came about largely because there was nothing in the then published procedure that seemed to require that any specific consideration be given to the question of possible injury before recommendations for concessions were made to the President, or that such recommendations state to what extent consideration had been given to any possible question of injury.

Referring to the procedure prior to the 1948 act and specifically to Executive Order 9832, dated February 25, 1947 (12 F. R. 1363), the procedures then relating to concessions are summarized and commented upon as follows:

1. Trade agreements must include a provision permitting the United States to withdraw or modify concessions if, as a result of unforeseen developments, they cause or threaten serious injury to domestic producers of like or similar articles, with complaints to be adjudicated by the Tariff Commission.

Comment: This is an obviously desirable provision for rescission of contract, but does not tend to ensure adequate consideration of the question of possible injury before the President authorizes negotiation of the contract. From a human point of view, it tends to the opposite result; for it lulls his negotiators into the belief that all their mistakes can be picked up after them. In a private contract such a provision could be effective as to a portion of the contract because a court of law would protect the balance. In an intergovernmental contract, this is not true; there is no court of law, and effectiveness depends on power or persuasion.

2. Prior to announcement of intention to negotiate, the Tariff Commission was required to analyze and furnish in digest form to the Interdepartmental Committee on Trade Agreements a summary of the probable effect, including competitive effects, of granting concessions on specific commodities. Thereafter, announcement of intention to negotiate on these proposed concessions was published, and domestic producers of like or similar articles were allowed to appear and testify in opposition.

Comment: The analysis and published digest of the Tariff Commission were prepared prior to issuance of notice of intention to negotiate and prior to hearings accorded to domestic producers. Consequently, they included only information then available to the Tariff Commission and did not include any analysis or conclusions with respect to data subsequently furnished by affected industry in the hearings that followed.

3. After hearing affected industry and after analyzing the previous digest of the Tariff Commission and the testimony offered by industry at such hearings, as well as any other information available, the Interdepartmental Committee on Trade Agreements made recommendations on proposed concessions to the President. If the decision of the committee was not unanimous, then the dissenting member or members were required to include in their minority report the point beyond which, in their opinion, concessions could not be granted without injuring the domestic economy.

Comment: So far as injury to any particular industry or to the general domestic economy was concerned, no finding of fact was required either of the Tariff Commission in its initial prehearing digests or of the Interdepartmental Committee in its posthearing recommendations to the President. It was only if one or more committee members chose to dissent from the committee recommendations that any questions of possible injury was required to be presented

to the President, and even then it was the dissenting member or members that were required to prepare and present conclusions with respect to such possible injury.

Under the foregoing system, it seems clear to us that, on the face of the procedure prescribed by Executive order, it was perfectly possible for the President to be completely uninformed with respect to possible injury to a particular industry or to the general domestic economy when he authorized concessions in negotiation.

In stating this, we do not wish to imply that the Interdepartmental Committee personnel or the negotiators personally disregarded questions of possible domestic injury. We merely wish to point out that the published procedure under the law prior to the act of 1948 did not actually require them to consider this factor or to inform the President with respect thereto. In theory, at least, it was perfectly possible for the Interdepartmental Committee, by unanimous decision for reasons of political policy or over-all trade policy, to reach a conclusion and forward recommendations to the President that involved no actual consideration or specific conclusions with respect to domestic injury.

We submit that a procedure of the foregoing nature, no matter how beneficent in actual results, is completely defective. It is not enough to be afforded a hearing. There must be an assurance that the facts presented at the hearing are given full consideration before any conclusion is reached or action taken. Unless this assurance is publicly stated, there will always be doubt and suspicion that the administrative processes are defective, no matter how well the act is handled in practice.

We, therefore, respectfully suggest to the committee that it would be highly desirable, and in furtherance of the purposes of the act, if the following procedures were, either through Executive order or statute, publicly established:

1. The Interdepartmental Committee as a whole should, in case of each concession, assume full responsibility for findings with respect to possible injury. This responsibility should not be left merely to a dissenting member of the committee.

2. Whenever the interdepartmental committee recommends a concession, the recommendation should be accompanied by a finding with respect to probable or possible injury to domestic industry. If the committee finds that there are possible dangers, but considers these dangers subordinate to poltical or overall trade policies, it should make specific findings in support of its recommendations. In addition, it should specifically suggest, in connection with any recommendation for duty reduction, what limitations on volume of importation, either generally or by way of specific grades or qualities, would act as a safeguard against injury from duty reduction as such.

3. After hearing of testimony of domestic producers, and consideration of all facts available, the interdepartmental committee should have the opportunity of recalling previous witnesses for further information or industry recommendations with respect to the narrower issues preliminarily arrived at by the committee. This procedure was successfully used by the Government during the war to recheck its preliminary conclusions with industry advisory committees, thus avoiding many errors of judgment that might have arisen from proceeding on original evidence of a general nature addressed only to over-all issues rather than to specific details.

The committee will note that our recommendation is that the foregoing procedures be adopted and published, but not necessarily as a matter of statute. In our view, the same results could be accomplished by Executive order. We are fully aware that the Congress, in overhauling the general questions of proper administrative procedure, deliberately omitted from the recent Administrative Procedure Act all activities with respect to foreign affairs.

In so doing, we believe that the Congress did not absolve the executive branch from responsibility for fair procedures with reference to foreign affairs but rather imposed upon the executive branch a responsibility much stronger in that regard by reason of the absence of statutory restrictions. We should like to recall to the committee's attention the fact that the present Secretary of State was formerly, as an individual, largely responsible for the success of the preparation of the background upon which the Administrative Procedure Act is based.

Open publication of an adequate procedure that advises all concerned that their contentions have been fully considered is, in our view, an essential part of fair administrative process. The American conception of justice is largely procedural, as witnessed by the due process clause of the Constitution. This does not demand that decision be 100 percent correct but merely that there be complete assurance that all factors have been considered which would enable the persons charged with judgment to arrive at a proper conclusion and that they have not been arbitrary in their exercise of discretion.

We are confident that the successful cooperation of the legislative and executive branches of the Government in stabilizing domestic administrative law can be carried forward into the field of foreign affairs.

Respectfully submitted.

WINE INSTITUTE,
EDWARD W. WOOTTON,
Washington, D. C.

NEW YORK 3, N. Y., *February 11, 1949.*

Hon. WALTER F. GEORGE,
Chairman, Finance Committee United States Senate,
Senate Office Building, Washington, D. C.

DEAR SENATER GEORGE: In view of the thorough studies of the reciprocal trade agreements program that have been made by committees of both Houses of the Congress during the past 2 years, we do not think that it is necessary for me to appear before your committee or to make a lengthy statement in support of the program and the legislation proposed for its extension. The recognition of the importance of the reciprocal trade agreements program as an integral and lasting part of American foreign economic policy is so wide-spread among the people of our country and so accepted by leaders of both parties that we do not need to dwell upon its economic aspects. We would, however, like to emphasize our position, as presented to the House Committee on Ways and Means January 25, 1949, on two points that seem of importance to us.

First, we support the provisions of H. R. 1211 which would reestablish the administrative procedures in force prior to June 12, 1948. In our judgment, section 350 of the Tariff Act of 1940, as amended, provided for administrative procedures that enabled the executive branch to conduct negotiations efficiently with full participation of agencies that have to do with international economic affairs. We also believe that the procedures gave adequate protection to American industry, agriculture and labor. The changes made by the Trade Agreements Extension Act of 1948 are, in our opinion, unsound in principle and cumbersome in practice. The segregation of the Tariff Commission prevent the President from having the benefit of its participation in planning negotiations as well as in participating in them.

We strongly urge a change in H. R. 1211 to provide for its termination on June 12, 1954 instead of June 12, 1951 as now provided. We feel, that in view of the widespread acceptance of the trade agreements policy, it is not necessary for the Congress to review it every 2 or 3 years and to hold the exhaustive hearings that have been held at such frequent intervals. This may have been expedient in the early days of the act, but it has proven its value in so many different ways that it should now be looked upon as an established policy and should therefore be extended for a longer period than 2 years from now.

Assuredly the Congress of the United States is confronted with so many grave problems in a difficult and changing world that it might well devote its major energies to the solution of new problems as they arise instead of frequently reviewing old ones which have been well solved. We therefore urge that the Senate amend H. R. 1211 to extend its termination date to June 12, 1954 and that a subsequent conference committee of both Houses accept this amendment.

We shall be grateful to you for your consideration and insertion of this letter in the record of the hearings.

Yours very truly,

NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.
MORRIS S. ROSENTHAL, *President.*

TOWARD FREER WORLD TRADE

A REPORT ON THE RECIPROCAL TRADE AGREEMENTS ACT BY THE COMMITTEE ON COMMERCIAL POLICY

United States Associates International Chamber of Commerce, Inc.

EXTENSION AND EXPANSION OF THE RECIPROCAL TRADE AGREEMENTS ACT

A. FORWARD

The United States Associates strongly urge: The extension of the Reciprocal Trade Agreements Act for a period of not less than 5 years.

The world now needs more than ever the assurance of a continuing and resolute foreign economic policy and strong leadership by thte United States. If the act were to be extended for a period of not less than five years, this assurance of itself would be an act of leadership.

In April 1949 at Geneva the United States will participate in trade negotiations with 13 countries which have not yet subscribed to the 1947 "General agreement on tariffs and trade." We should not be prevented there from securing and giving real concessions out of which can come a substantial incentive for further revival of international trade.

Instead, our team of negotiators at Geneva would be supported by a Reciprocal Trade Agreements Act permitting them to exert dynamic leadership. For that reason the crippling "Gearheart amendment" to the 1948 renewal of the act should be eliminated and the act should be extended early in 1949 before the Geneva negotiations begin.

JOSEPH M. HARTFIELD,
Chairman, Committee on Commercial Policy.

B. THE REPORT

The United States Associates strongly urges the immediate extension in 1949 of the Reciprocal Trade Agreements Act for a period of not less than 5 years. Experience has shown that proper fulfillment of our foreign economic policy to expand multilateral trade requires elimination of the restrictive modifications incorporated in the act when it was extended in 1948.

Background

1. The April 1948 report of the committee on commercial policy recommended a 3-year extension of the Reciprocal Trade Agreements Act of 1945. Under that act, late in 1946 the Interim Tariff Committee at Geneva negotiated 106 separate bilateral trade agreements to reduce trade barriers among the United States and 22 other countries. The wide variety of products affected accounted in 1938 for over half of the world's international trade.

2. These separate bilateral trade agreements were then incorporated into one inclusive document "The General Agreement on Tariffs and Trade," known as the Geneva Agreement or GATT. It contains, almost verbatim, provisions taken in whole or in part from 15 articles of the Havana ITO charter. The contents of most of these provisions have met with general approval both by the United States Associates and the International Chamber of Commerce. They include such broad subject matters as general most-favored-nation treatment, general elmination of quantitative restrictions and their nondiscriminatory administration, freedom of transit, antidumping, marks of origin, customs formalities, customs unions, free trade areas and general exceptions to the charter's chapter IV on commercial policy.

3. The Geneva agreement does not contain many of the Havana charter provisions which have been criticized by the United States Associates and the International Chamber of Commerce. Controversial matters such as methods of treating with maximum employment, developments of backward areas, international investment, restrictive business practices and intergovernmental commodity agreements, do not come within the agreement.

4. The general agreement on tariffs and trade is intended to be permanent. It provides for continuing meetings of the contracting parties. It will meet again in April 1949 to negotiate agreements with 13 additional countries, including the 4 members of the Organization for European Economic Cooperation—Denmark, Greece, Italy and Sweden—which have not yet subscribed to the agreement.

5. The permanence of the general agreement on tariffs and trade with a resulting need for a continuing tariff committee, would assure the existence of a world forum in the event the International Trade Organization should not come into being. It is effectuating many of the cardinal purposes of the suggested charter, as originally proposed by the United States Government, to the general objectives of which the United States Associates has enthusiastically subscribed. Revisions can be made in the Geneva agreement as they are found necessary in the light of changing world economic conditions.

6. The United States Associates considers it as urgent now as it was in 1948 to press for immediate renewal and extension of the Reciprocal Trade Agreements Act. The authority of the act is required to enable the United States to play its part under the Geneva agreement, to assure its permanence and to participate in appropriate revisions of that pact.

Considerations which are as applicable today as a year ago

7. For other compelling reasons, as valid today as a year ago, the last report of the United States Associates Committee on Commercial Policy urged extension of the 1945 Reciprocal Trade Agreements Act. It stated:

"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."

8. The 1948 report of this committee made additional observations as sharply pertinent today as then. It stated:

"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 freer world economy.

"If the major trading nations of the world subscribe to the ITO charter, it is clear that we must extend the RTA 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 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 RTA 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."

Development subsequent to our April 1948 report

9. The 1945 Reciprocal Trade Agreements Act, as extended in 1948, contains a revision to which we make strong objection. Under this revision the Tariff Commission has been removed from the Interdepartmental Committee on Trade Agreements, representing seven interested governmental agencies. This Committee serves as the central operating body which works out and concludes trade agreements.

10. The revised act provides that the Tariff Commission, acting independently of the Committee on Trade Agreements, is to supply to the Committee and the President, with respect to each item to be brought into tariff negotiations, facts on the probable effects of granting concessions and on the competitive factors involved. The Tariff Commission can no longer participate, as a member of the Committee on Trade Agreements, in planning trade agreements and in making its advice available to that body. Instead, for each item subject to negotiations it is to report independently to the President the point below which it considers a further tariff cut would cause or threaten serious injury to the domestic industry and the point to which it thinks the tariff should be lifted to avoid serious injury.

11. This forcing the Tariff Commission to predict in advance what would be safe tariff cuts will in practice, of course, bring about undue caution. In effect, it leaves to the Tariff Commisison the primary responsibility for determining our tariff reductions. It isolates the Commission from the advice and discussion of the other governmental agencies. It stacks the cards in favor of protectionism, both because the only responsibility imposed on the Commission is to "play it safe" and because, under the bill, special interests can concentrate their pressures on the Commission.

12. Because the Tariff Commission cannot now participate in the discussions of the Committee on Trade Agreements, but must give isolated consideration to each of the multitudinous items subject to tariff change, it cannot consider each individual item in relation to a projected trade agreement as a whole, so as to provide a balanced appraisal. It cannot consider the benefits to be obtained from other countries for our own concessions. Its judgments as to peril points cannot have the analysis, while being arrived at, of other interested agencies.

13. This fundamental change in procedure—

Causes, for all practical purposes, the State, Treasury, Defense, Agriculture, Commerce, and Labor Departments, and the ECA to become secondary voices in determining tariff changes, although they represent every part of our domestic economy and, in the past, almost always have presented unanimous recommendations to the President;

Makes unavailable to the Trade Agreements Committee, having representatives from all these agencies, the Tariff Commission's valuable active participation and advice, both in the preparation of trade-agreement negotiations and in the negotiations themselves;

Inevitably will make the President or the State Department reluctant to subject themselves to political repercussions by disregarding the Tariff Commission's findings;

Will place the United States in a weak negotiating position at the forthcoming April 11 Geneva Conference, where trade agreements will be initiated with 13 new countries participating with the 23 member countries of the 1947 Geneva agreement (GATT).

14. The requirement that the Tariff Commission must hold hearings for the purpose of arriving at "peril points" is not only cumbersome but is undesirable. It has previously been shown by experience to be unnecessary. It disregards the fact that protection against peril points already has been provided. The President's Executive Order No. 10004 of October 5, 1948, section 10, like its predecessor order No. 9832 of February 25, 1947, assures protection in the event a tariff cut should result in abnormal imports causing or threatening serious injury to domestic producers. In such cases the Tariff Commission shall investigate and report to the President, and the President may withdraw the concession without having to obtain the consent of the other country.

15. Without this obstructive amendment, protection can be afforded when threatened injury is a fact; under it, the Tariff Commission predicts in advance

a rate that will never even threaten injury. Also, without this obstructive amendment, a threatened industry can be protected without depriving the national economy, including industry as a whole, of the benefits flowing from more extensive concessions; but under it, excessive protection is provided each industry at the expense of the national economy, including industry as a whole.

16. When preparing for participation by the United States in the April 1949 Geneva negotiations on further trade agreements, its Committee on Trade Agreements should not be arbitrarily limited to the concessions the United States can make and seek. It should not be circumscribed because the Tariff Commission has carried out its duties in a framework requiring it to consider solely the element of protection.

The impact of world economic conditions today

17. Present world conditions require, as never before, dynamic leadership by our country in reducing barriers to international trade. Tariff negotiations at Geneva should be facilitated, not hindered. Our team of negotiators should not be required there to initiate negotiations from minimum points which are determined by the stifling criteria incumbent on the Tariff Commission. The low points should be such that our country will have a negotiating basis for winning extensive concessions in our own behalf. We should not be prevented from securing and giving real concessions out of which can come a substantial incentive for further revival of international trade.

18. Because of the imminence of the April 1949 Geneva trade-agreement negotiations, we urge the very early extension of the Reciprocal Trade Agreements Act without the crippling 1948 amendment.

Increased Government-business cooperation

19. Under the President's Executive Order No. 10004, dated October 4, 1948, a Committee for Reciprocity Information receives, digests, and circulates to the entire trade-agreements organization the views of interested businessmen and others regarding proposed or existing trade agreements. In practice, it secures these views through open hearings. Its membership is the same as that of the Inter-Departmental Committee on Trade Agreements which serves as the Government's trade negotiations team.

20. The present Executive order undoubtedly will be modified so as to prescribe revised procedures for carrying out the 1949 extension of the Reciprocal Trade Agreements Act. We recommend that it include strengthened procedures directed toward facilitating cooperation between Government and business during the formulation of programs for concluding trade agreements, in addition to its retention of the present provisions for holding public hearings by the Committee on Reciprocity Information after the programs have been determined. The Business Advisory Council of the Department of Commerce might well be called upon to create a businessmen's committee for this purpose.

Extension for 3-year minimum period is highly desirable

21. In April 1948 we recommended that the act be extended for not less than 3 years. We stated that "only then could 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." It was extended for only 1 year.

22. The world now needs maximum assurance of a continuing and resolute foreign economic policy and strong leadership by this country. If the act were to be extended for a period of not less than 5 years, this assurance of itself would be an act of leadership. We recommend it.

NEW YORK, N. Y., *February 17, 1949.*

Senator WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

This association urges amendment to H. R. 1211 keeping United States Tariff Commission's present authority to declare peril points on all tariff changes in future trade-agreement negotiations. Also an amendment making inclusion of escape clause mandatory in all trade agreements. These amendments are very necessary to demonstrate the good faith of the proponents of the act, to workers, management, and consuming public for the safeguard of all. We request that this telegram be included in the official record of the committee hearing.

H. L. DILLINGHAM,
Secretary, American Glassware Assn.

FEBRUARY 16, 1948.

STATEMENT SUBMITTED BY THE SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION OF THE UNITED STATES, NEW YORK 17, N. Y., RE HEARINGS ON H. R. 1211, AN ACT TO EXTEND THE AUTHORITY OF THE PRESIDENT UNDER SECTION 350 OF THE TARIFF ACT OF 1930, AS AMENDED

CHAIRMAN, SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

This brief is filed on behalf of the Synthetic Organic Chemical Manufacturers Association which comprises the manufacturers of coal-tar products in the United States.

The First World War demonstrated the critical necessity for the products of this industry. In the interim between the First and Second World War, the industry manufacturing coal-tar products in the United States was fostered as a necessity for national defense and our economic well-being. It is clearly apparent that in the period just ahead our industry will be increasingly important to our military program as well as to our national economy.

It is inconceivable that Congress in 1934 when it enacted the Trade Agreements Act intended to reduce the protection afforded by our tariff to the point where it would result in unemployment to labor or seriously injure agriculture or industry.

At the time of the enactment of this act and during the first years of its operation, no bases were available upon which foreign costs could be compared with domestic costs. Based upon this premise, it was impossible to tell whether a rate of duty was discriminatory or what, if any, reduction should be made. The fact that currencies were widely fluctuating contributed largely to the confusion.

All of these factors must have been realized by Congress, for in 1948 in the reenactment or extension of the Trade Agreements Act it included therein the provisions which established the present jurisdiction of the United States Tariff Commission, which we print as addenda to this brief. (See addenda.)

From the debates on this bill in the House of Representatives and an examination of the final vote thereon, the conclusion is inescapable that the present trend is toward the reduction of tariffs and the increase of imports without adequate investigation or the establishment of peril points. We do not believe that our present defense program, our present economic status, or our present standards of living can be developed or maintained in the face of utter disregard of factual evidence upon which to operate.

In the interests of orderly administration of this bill, the Tariff Commission has promulgated regulations in accordance with law to carry out this policy and by its orderly procedure has justified the confidence placed in it by Congress.

But one set of negotiations has been announced since the act of 1948. In the preparation for these negotiations, it has been our experience and through contact with other industries we learn that the United States Tariff Commission has canvassed industry, agriculture, and labor in its attempt to compile facts which would assist our State Department in negotiating with foreign countries and which would insure trading upon an intelligent basis so as not to jeopardize any branch of our domestic economy.

The provision for the participation by the Tariff Commission, we feel, was a wise one and it has been welcomed by labor and industry in this country.

The economic condition of the world has not yet settled to a normal peacetime basis where it would be safe to establish permanently the degree of protection needed in the case of the great majority of products and commodities which compete with our production. We feel, however, that the function performed by the United States Tariff Commission is essential to the well-being of our labor, agriculture and industry in that it provides competent findings determined by economic fact.

We, therefore, respectfully urge that the purpose of H. R. 1211 be changed and the bill be so amended as to retain the provisions of the act of 1948, printed addenda to this brief, which provide for participation by the United States Tariff Commission.

Respectfully submitted.

SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION OF THE UNITED STATES,
S. STEWART GRAFF, *Secretary.*

ADDENDA

EXTRACT FROM PUBLIC LAW 792, EIGHTIETH CONGRESS, CHAPTER 678, SECOND SESSION (H. R. 6556)

"SEC. 3. (a) Before entering into negotiations concerning any proposed foreign trade agreement under 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 possible modification of duties and other import restrictions, imposition of additional import restrictions, or continuance of existing customs or excise treatment. Upon receipt of such list the Commission shall make an investigation and report to the President the findings of the Commission with respect to each such article as to (1) the limit to which such modification, imposition, or continuance may be extended in order to carry out the purpose of such section 350 without causing or threatening serious injury to the domestic industry producing like or similar articles; and (2) if increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry producing like or similar articles the minimum increases in duties or additional import restrictions required. Such report shall be made by the Commission to the President not later than 120 days after the receipt of such list by the Commission. No such foreign trade agreement shall be entered into until the Commission has made its report to the President or until the expiration of the 120-day period.

"(b) In the course of any investigation pursuant to 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."

KAOLIN CLAY PRODUCERS ASSOCIATION, INC.,
366 Madison Avenue, New York 17, N. Y., February 9, 1949.

The CHAIRMAN OF THE SENATE FINANCE COMMITTEE,
The United States Senate, Washington, D. C.

DEAR SIR: A bill has been introduced in the Eighty-first Congress by Mr. Doughton, being H. R. 1211. The Kaolin Clay Producers Association originally appeared and filed briefs in reference to the Trade Agreements Extension Act of 1948. (See oral brief submitted before the Committee on Ways and Means April 30, 1947. Also a brief filed December 19, 1946, by the Kaolin Clay Producers Association, Inc., signed by W. J. Parker.)

We do not know when the hearings are to be in respect to this bill, and it is not our present thought to appear at any hearing, as our previous briefs and statements we hope will be reviewed in respect to this situation. However, we wish to protest against any further legislation that will have the effect of reducing the tariff on kaolin clay (china clay), and we are doing so by this memorandum.

The kaolin clay industry has built up its productive capacity over a period of the last few years, and is not now operating to anywhere near its full capacity. The capacity which is being utilized is not over 70 percent. It therefore appears, from the standpoint of our local and comparatively small industry, that further encouragement to foreign producers of our competitive clays would hurt our industry here even more, and would have the effect of reducing our present output, which is, as stated above, much below our capacity to produce.

These agreements, if they result in further reductions in tariff rates, will reduce our industry to a dangerous level, and will affect not only the producers of material, but the landowners from which this material is produced and the several thousand workmen who are dependent on us for their wage. We hope that no action will be taken which will further weaken the position of this industry.

If this statement has not been filed with the proper authorities, or should you need additional information, I hope that you will feel free to call upon us.

Yours very truly,

KAOLIN CLAY PRODUCERS ASSOCIATION, INC.,
W. B. S. WINANS, *President.*

UNITED STATES HOP GROWERS ASSOCIATION,
San Francisco 4, Calif., February 14, 1949.

The SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: May we call your attention to the marked article on page 7 of the accompanying copy of The Hopper, the hop growers' magazine?

As you will observe, this article points out the fact that American hop growers are suffering seriously as a result of the tariff reduction authorized by the State Department under the reciprocal trade agreement with Czechoslovakia, and automatically applied to Germany. The 50 percent tariff reduction made effective over the unanimous protest of American hop growers stimulated heavy imports last year in the face of abundant domestic production and resulted in more than a 50 percent reduction in the spot market price for American hops, thereby causing heavy losses to many Pacific coast hop growers.

We urgently request that you consider this result of the policy pursued by the State Department prior to the insertion of the moderately protective amendment passed by the Eightieth Congress in the light of the present proposal to remove these "ill advised changes."

Bartering away the prosperity of American agriculture in an effort to gain the friendship of nations whose doctrines are diametrically opposed to our own does not make sense from any logical point of view. Stimulating the commerce of other nations by jeopardizing the existence of our own industries is on a par with the theory that the United States should share its resources to the point of exhaustion with the less fortunate nations of the world, including our potential enemies. This sort of nonsense may be politically expedient at the moment because it is widely viewed from an idealistic rather than a practical standpoint. Many of those who have suffered or expect to suffer as the result of its application are silent either because they feel that it is useless to protest under the circumstances or because they expect to be reimbursed by the Government for losses sustained as the result of unjustified tariff reductions authorized by the Congress.

The Senate is our court of last resort. We have every right to expect from that body the most careful consideration of our request that any further amendment to the Reciprocal Trade Agreements Act should contain protective features that American industry and the thinking public will consider fair and adequate. Our experience has demonstrated that the operation of the Reciprocal Trade Agreements Act under the supervision of the State Department is grossly unfair. We request at least the retention of the Tariff Commission as an impartial third party.

Respectfully submitted.

E. L. MARKELL, *Secretary.*

(The article from the magazine referred to above is as follows:)

HOP GROWERS SUFFERING FROM TARIFF REDUCTIONS

By E. L. Markell

It is obvious, from the trend of policy in Washington since November 2, that the administration plans to continue to reduce American import tariffs with scant regard to the effect upon our domestic economy. This is indicated not only by President Truman's request for a 3-year extension of the Reciprocal Trade Agreements Act, after the removal of the protective measures written into it by the Eightieth Congress, but also by the apparent intention of the State Department to take advantage of the present political situation and public apathy to push through Congress the adoption of the International Trade Organization, which has been hanging fire since last year's discussions in Havana.

If we could have any assurance that these measures will be handled with reasonable regard to the welfare of American industry, we could view developments with some degree of equanimity. Unfortunately, this is not the case. The theory back of both of these measures is to promote the interchange of commodities between the nations of the world, which is, of course, a highly describable, even if somewhat idealistic, objective. The practical application of this theory is, however, full of pitfalls. First of all, the agencies charged with the development of the reciprocal-trade agreement and the International Trade Organization acting upon the basis of instructions issued by the State Department, with

the approval of the President, are apparently imbued with the thought that our import tariffs must be heavily reduced or eliminated, regardless of the effect of such action upon American industry.

Nowhere has this been demonstrated more conclusively than in connection with the hop-import tariff. This situation is outlined briefly in a document recently forwarded by the United States Hop Growers Association to the Ways and Means Committee of the House of Representatives in Washington. This committee considered, during the week of January 24, a proposal on the part of President Truman, in line with his preelection promises, to extend the life of the Reciprocal Trade Agreements Act for 3 years after eliminating the protective features written into the act. The much maligned Eightieth Congress passed a bill, just before the expiration date of the Reciprocal Trade Agreements Act, extending its life for 1 year subject to certain new features designed to give some degree of protection to American producers. The principal provision was a requirement that the Federal Trade Commission determine the point beyond which the cutting of an import tariff would cause or threaten to cause serious injury to domestic producers. While the Federal Trade Commission has no power to prevent tariff cuts beyond the peril points, it is required to submit the results of its investigations to the President who presumably would have to take the Commission's findings into consideration before placing a reciprocal-trade agreement into effect. The President in a recent communication urged that Congress remove this means of enabling him or anybody else to recheck the justification for proposed tariff changes.

Just how serious the effect of tariff changes may be was demonstrated during the past season when domestic hop prices reacted sharply to heavier than anticipated imports. The United States Hop Growers Association stresses the effect of the tariff reduction in the following statement:

JANUARY 20, 1949.

WAYS AND MEANS COMMITTEE,
House of Representatives,
Washington, D. C.:

In connection with the consideration of the President's request to extend the Reciprocal Trade Agreements Act for a 3-year period and for the removal of the protective features written into the 1-year extension by the Eightieth Congress, we wish to call attention to the experience of the American hop growers resulting from tariff reductions imposed upon the industry in 1948 through the reciprocal trade agreements with Czechoslovakia.

The United States Hop Growers Association is a cooperative, nonprofit service organization, representing the hop producers of America. On the 18th of December 1946 we filed with the Committee for Reciprocity Information, which was then considering tariff reductions with certain European countries, a brief in opposition to the proposal to reduce the import tariff on hops by a maximum of 50 percent. We are enclosing a copy of this brief because it is important in connection with your present considerations.

The two following paragraphs from pages 7 and 8 of that brief summarize the position taken by the hop producers at that time:

"Owing to the fact that the cost of producing hops in the United States is several times higher than it was 8 years ago and in view of the high exchange value of American dollars in the markets of the world, it is probable that the present 24-cent tariff on hops provides far less protection than the 18-cent tariff in 1938. This was demonstrated during 1945–46, when 3,770,671 pounds of European hops were shipped into the United States in spite of the 24-cent tariff in the face of abundant supplies in this country, and regardless of the general shortage of hops in many of the other beer-consuming countries of the world. A lower tariff and more abundant European supplies under existing conditions could easily cause a catastrophe as far as American hop growers are concerned, especially if the lower tariff were applied to the cheaper grades of European hops, which would tend to encourage the dumping of low-quality European hops into the American market.

"In view of the circumstances as outlined, the hop producers of the United States are strenuously opposed to any reduction, at this time, in the import duty on hops. If some concession seems to be an essential feature of international trade policy, regardless of its effect upon the domestic industries involved, we strongly recommend that any such action with reference to hops be deferred until the American hop industry has had ample opportunity to adjust itself to the after effects of the war."

We feel that this was a fair and reasonable position for us to take. Unlike various other domestic agricultural industries that need European outlets, the American hop industry, because of its heavy expansion during the war period when it shouldered the burden of meeting the Western Hemisphere's hop requirements, now greatly needs protection against European hops, during at least the critical readjustment period. We tried to make this clear in our brief and in our testimony before the Committee for Reciprocity Information. However, the negotiators at Geneva decided to reduce the tariff on hops imported from Czechoslovakia by the maximum permissible amount of 50 percent of the prevailing 24-cent tariff. Judging from all indications, our reasonable request was completely ignored, presumably in order to make concessions to our foreign competitors.

Before this reciprocal trade agreement could be made effective, Russia had reduced Czechoslovakia to the status of a Communist satellite, but, in spite of our renewed protest, this fact had no effect upon the decision of the State Department to offer the same radical tariff concessions to communistic Czechoslovakia that had been negotiated with its democratic predecessor. Placing a potential enemy in a position to take commercial advantage of the United States may make sense to idealistic "do-gooders" in the Department of State, but it certainly does not appeal to the farmers who now face bankruptcy largely as the result of such policies.

The effect of this heavy reduction in the hop-import tariff was strikingly apparent last year. The American crop in 1948 was approximately 50,000,000 pounds. While this was only a moderate crop, it was more than enough to take care of our domestic requirements. In anticipation of a supply closely in balance with demand, the prevailing price to growers for the small volume remaining unsold advanced from around 60 cents a pound in June 1948 to about 75 cents in August. This situation prevailed until the harvest was well under way. Then rumors began to circulate regarding heavy importations of European hops. Hops are used almost exclusively for the manufacture of beer. They have practically no other outlet. Under such conditions a slight surplus above market requirements is immediately reflected in drastically lower prices. Even the rumor of large importations depressed the domestic hop market in the fall of 1948 and when these rumors became a reality, spot market prices dropped sharply from around 75 cents or more per pound to 35 cents—much less than the cost of production. We now witness the phenomenon of hops grown in the United States at the highest cost of production in the world, going begging at the world's lowest price level largely because of our excessive imports. This weakened market situation had, as its usual accompaniment, large-scale rejections of high-priced contract sales, because buyers always become supercritical in their interpretation of quality specifications under depressed market conditions.

The demoralized price situation now confronting the hop industry is, in large measure, a direct result of tampering with the hop tariff. Domestic hop users who desire European hops have been able to purchase their requirements in spite of the 24-cent tariff, but cutting the tariff in half increased hop imports by at least a million and a half pounds. Theoretically, this is an insignificant amount, designed to help the poor hop growers in Czechoslovakia and Germany, but practically it turned out to be a sufficient quantity to overload the market and to bring many American hop growers close to the brink of disaster.

If the President is to be authorized by the Congress to make arbitrary adjustments in import tariffs, we suggest that he also be authorized to reimburse domestic producers for damages suffered as the result of such actions.

We are in favor of the protective measures written into the bill for the extension of the Reciprocal Trade Agreements Act by the Eightieth Congress, because they provide at least some measure of protection to American producers. The hop growers and the Nation as a whole cannot continue to exist as solvent entities if some curbs are not placed upon the tendency of the State Department to pass out concessions to our foreign competitors regardless of the effect of such action upon our own economy. We have confidence in the judgment and fairness of the Tariff Commission, based upon past experience. We regret to say that we cannot make the same assertion regarding the actions taken by the Department of State in their ruthless exploitation of American producers in connection with so-called reciprocal trade negotiations.

We feel confident that we are expressing the as yet uncrystallized opinion of American citizenry, when we state that the people's mandate of November 2 was distinctly not a carte blanche authorization to sacrifice the American stand-

ard of living on the altar of free trade or to bankrupt the United States as a kindly gesture of good will to the less fortunate nations of the world.

E. L. MARKELL,
Secretary, United States Hop Growers Association.

STATEMENT BY THE NATIONAL BOARD OF THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION

EXTENSION OF THE RECIPROCAL TRADE AGREEMENTS ACT

The national board of the Young Women's Christian Association 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 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 Ways and Means Committee and by the House of Representatives to extend the Trade Agreements Act until June 12, 1951, with a return to the procedures followed prior to June 1948. 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 is 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 nations participating in that program recognize 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 those 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 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.

BRIEF OF TOY MANUFACTURERS OF THE U. S. A., INC., RE HEARINGS ON H. R. 1211, EXTENSION OF TRADE AGREEMENTS ACT

On behalf of the Toy Manufacturers of the U. S. A., Inc., this brief is filed in opposition to the enactment of H. R. 1211, now pending before your committee. This bill would extend the present Trade Agreements Act without including therein the provision in existing law giving the United States Tariff Commission jurisdiction to establish peril points to govern the negotiation of tariff rates.

This industry became an important United States industry during and after the First World War and has developed to its present high standards of production and wage levels through initiative, research, capital investment, and protection against low-cost foreign competition.

Our views of the Trade Agreements Act and the trade agreement policy have been made known to this committee from time to time by appearances and briefs, when bills for the extension of the act have been before Congress. This is a matter of record with your committee and we will not unduly extend this brief by its repetition.

During the first years of the operation of this act, due to economic factors and international chaos, no bases existed upon which to compare foreign costs with domestic costs and thus determine whether a reduction in the rate of duty should be made, or to regulate the extent thereof. We had also the additional factor of widely fluctuating currencies.

These and other factors were realized and considered by Congress, for in 1948 in the reenactment or extension of the Trade Agreements Act it included therein the provisions of the present act placing with the United States Tariff Commission the duty to establish, after investigation and hearings, a limit beyond which reduction could not be made without injury to American production or labor.

Since the enactment of this bill, the United States Tariff Commission has promulgated regulations in accordance with law and by its orderly procedure has justified the confidence placed in it by Congress.

The Tariff Commission has had but one opportunity to exercise the jurisdiction conferred upon it—the pending schedule of items upon which a new trade agreement is to be negotiated. In the preparation for these negotiations, it has been our experience, and through contact with other industries we learn, that the Tariff Commission has canvassed industry, agriculture, and labor in its attempt to compile facts which would assist our State Department in negotiating with foreign countries upon an intelligent basis so as not to disrupt any branch of our domestic economy.

The provision for the participation by the Tariff Commission, we feel, was a wise one and one which should be welcomed by those Government agencies charged with the negotiations, as it has been welcomed and labor and industry in this country.

It is our firm belief that in the enactment of the Trade Agreements Act, Congress did not intend to reduce the protection afforded by our tariff to the point where it would result in unemployment to labor or serious injury to agriculture or industry.

Economic conditions of the world are still so unsettled as to afford no normal basis where it will be safe to establish permanently the protection needed in the case of the great majority of products and commodities which compete with our production. We feel, however, that the function performed by the United States Tariff Commission is essential to the maintenance of our labor, agriculture, and industry.

From the debates on this bill in the House of Representatives and an examination of the final vote thereon, the conclusion is inescapable that the present trend is toward reduction of tariffs and the increase of imports without impartial investigation or the establishment of peril points.

We respectfully urge that if it is the intent of Congress to continue the trade agreement policy, the provisions of the act of 1948 conferring jurisdiction on the United States Tariff Commission to determine peril points should be reinstated in H. R. 1211.

Respectfully submitted.

TOY MANUFACTURERS OF THE U. S. A., INC.,
By HORATIO D. CLARK.

THE BOARD OF CHRISTIAN EDUCATION OF THE PRESBYTERIAN CHURCH IN THE UNITED STATES OF AMERICA

DIVISION OF SOCIAL EDUCATION AND ACTION

Statement for the Senate Finance Committee, February 21, 1949, regarding the reciprocal trade agreements bill (H. R. 1211):

The following official action was taken by the general assembly, Presbyterian Church, United States of America, June 1, 1948. This official action was taken by nearly 800 commissioners representing 8,455 churches with over 2¼ million members.

"International trade: We recognize that a peaceful and durable world order can be established only upon a sound economic foundation, one that offers the peoples of the world the opportunity to meet at least the minimum necessities of life. Assistance to foreign countries through the European recovery program and other financial measures is of basic importance, but this will ultimately be in vain unless accompanied by an opportunity for other nations to sell goods to America equal in value to those they buy from us and to the money lent them by the United States. Consequently, we look with alarm upon the attempts of certain pressure groups to modify the reciprocal trade agreements so as to nullify future steps toward freeing international trade. The determination of powerful and interested economic groups within the United States to gain special tariff consideration is one of the greatest domestic threats to the stabilization of world economy. The denial of trade with any country will imperil mutual understanding and good human relations, and will not promote peace, world order, and Christian fellowship."

Statement submitted by:

PRESBYTERIAN DIVISION OF SOCIAL EDUCATION AND ACTION,
By FERN M. COLBORN.

NATIONAL PEACE CONFERENCE,
New York 18, N. Y., February 18, 1949.

Hon. WALTER F. GEORGE,
Chairman, Finance Committee,
United States Senate, Washington 25, D. C.

DEAR MR. CHAIRMAN: I am directed, by unanimous vote of the conferees of the National Peace Conference, voting as individuals in our meeting held on January 17, 1949, in New York City, to convey to your committee our hearty approval of the proposed legislation to extend and strengthen the reciprocal trade agreements program.

The National Peace Conference has actively supported the reciprocal trade agreements program since its inception. The work of our members has done much to inform public opinion of the value of the program, both for the welfare of the United States and for the peace of the world.

As the nations struggle to repair the damage of war and to restore productivity, the reciprocal trade agreements program becomes increasingly necessary. Without some such policy of encouraging trade between nations, there would be serious danger of stagnation resulting from barriers to imports, preventing the purchase of necessary commodities, blocking exports, causing unemployment, distress and instability. Even though such stagnation began in a single nation, it might and probably would prove contagious and tend to spread. We have learned by sad experience that economic ill-health is no respector of national frontiers.

The reciprocal trade agreements program is an important means of protecting the economic health of the world, of reducing the social strains favorable to communism and war, and promoting the economic well-being generally. The reciprocal trade agreements program is therefore of value to the security and prosperity of the United States as well as to the peace and welfare of the world.

We favor the extension of the reciprocal trade agreements program and we favor freeing it from the limitations imposed on the program last year.

Sincerely,

RICHARD R. WOOD, *President.*

Brief in Opposition to H. R. 1211

(By C. A. Cannon, chairman, legislative committee, American Cotton Manufacturers Association)

February 22, 1949.

To the Committee on Finance, United States Senate:

This statement is filed on behalf of the American Cotton Manufacturers' Association. The association represents the largest portion of this country's textile industry with its headquarters in Charlotte, N. C. The majority of the mills represented are located in the Southeastern States. The textile industry is among the Nation's largest from the standpoint of employment, furnishing work to well over a half million Americans.

The textile industry views with great alarm the effect that H. R. 1211 would have on the industry if it should be enacted into law without the proper amendments to safeguard the security of the Nation, the industry, the economy, and the American worker.

The textile industry is one of our Nation's first lines of defense. Soldiers cannot maintain themselves in either hot or cold climates and cannot use their weapons efficiently without proper clothing. Neither can the civilian population produce efficiently the war materials and equipment to sustain a large army unless they are properly clothed.

In addition to clothing soldiers and civilians there are a great number of requirements for cotton textiles in the production, manufacturing, assembling, and transporting of everything used by the military, whether it be airplanes, guns, tanks, or other equipment generally thought of as being of top priority. In 1925 there were 37,900,000 spindles in place in this country and in 1939 there were 24,900,000, a decrease of 13,000,000 spindles in 14 years. To replace these spindles the cost would be not less than 1¼ to 1½ billion dollars. Since the textile industry is so vital to our Nation's security, we should at all times have in operation enough spindles to furnish the normal domestic and export supply by operating two shifts of 40 hours each, with the third shift being available for use in any national emergency.

The textile industry is one of the most vulnerable of all American industries under the present Trade Agreements Act and would be placed in a critical condition should H. R. 1211 be enacted into law without being amended to provide the proper safeguards.

Foreign countries do not have the incentive to build up heavy industries to produce so-called luxury goods, such as refrigerators, washing machines, electric motors, automobiles, etc., because their countries do not have the standard of living to support this type of industry. On the other hand, each country has had an incentive to manufacture their own clothing and therefore they have an established textile industry that will be expanded, perhaps with American money, to consume the American market.

We have already seen evidence of this by the desire on the part of Germany and Japan to send their textile goods to this country.

We all know that the present Trade Agreements Act has not had a disastrous effect on the American textile industry because of war and abnormal economic conditions. However, that situation is ended and through extensive subsidization from our own Government, foreign textile industries have been rehabilitated and revived and are again entering into the textile markets of the world. This fact is clearly revealed in the decrease of American cotton textile exports in 1948 as compared to 1947. It is further revealed in the fact that the number of people employed in the American textile industry has steadily decreased since January 1948.

We all know that communism thrives in any situation where unemployment, bad economic conditions, and idleness are widespread. We do not see how we can afford to endanger the security and economy of this Nation by enacting legislation that would certainly result in the loss of American markets for some American industries, and, therefore, produce drastically curtailed production in some industries and the complete close down of others.

Further reduction of American spindles will seriously endanger our national security and have a disastrous effect on the civilian economy and war potential in time of national emergency. The unrestricted importation of foreign textile goods will result in unemployment of millions of American workers. The American farmer will be without a market for his cotton if the textile industry continues to lose its export and home markets.

As an absolute minimum for the continued survival of the American textile industry, H. R. 1211 should be amended to provide:

(1) For the continuation of the "peril point" report of the Tariff Commission established by the Trade Agreements Extension Act of 1948. (In this connection the Tariff Commission should be established as a fact finding body with definitely established "peril points" below which the President could not go without going to Congress to explain his position.)

(2) For the insertion of an escape clause in all trade agreements which do not now contain such a clause.

In conclusion, I wish to express to the committee my appreciation for the opportunity of filing a statement. I hope the information which I have attempted to bring to your attention will be of real value in assisting you in formulating an equitable decision in this problem that is so vital to the welfare of our country.

STATEMENT OF WALTER J. MASON, NATIONAL LEGISLATIVE REPRESENTATIVE, AMERICAN FEDERATION OF LABOR, ON THE EXTENSION OF THE RECIPROCAL-TRADE AGREEMENT PROGRAM BEFORE THE SENATE FINANCE COMMITTEE, TUESDAY, FEBRUARY 22, 1949

The American Federation of Labor has long been deeply conscious of the need for a foreign policy, democratically conceived and executed, which in a very forceful and dynamic way would strengthen the ties among the world's democracies and combat any growth of totalitarian government throughout the world. By the activities of our European representatives, our specially constituted free trade-union committee, through our assistance to the European free trade-union movement and the developing unions in Germany, our participation in the International Labor Organization, and our work in helping to establish a new democratic organization of workers in the Americas, we have tried to carry out our concept of a democratic foreign policy by carrying to other people of the world our convictions about democracy and giving them every possible assistance in their fight against totalitarian principles.

As part of its foreign-policy program, the American Federation of Labor supports the extension of the reciprocal-trade agreements program; but we have some suggestions to offer. At its recent convention in Cincinnati, the federation unanimously adopted a report of its resolutions committee which reads as follows: "We recommend that the American Federation of Labor support the principle of this act. The reciprocal-trade agreements program offers a method looking toward the further freeing of international trade from restictive barriers.

"However, in some instances the duty reductions already made have reached the point where further reductions would endanger the employment in particular industries exposed to competition from abroad.

"In supporting the trade-agreements program, we recognize the need of safeguarding American labor in some industries, especially where wages are a relatively heavy factor in the cost of production, against competition that threatens to undermine our labor standards."

The reasoning behind this resolution is very simple. It is intimately connected with the efforts this country has been making through the Marshall plan and other measures to achieve a peaceful and prosperous world.

The problems of attaining a peaceful and prosperous world are, of course, immense, but we feel a good start has been made. The most crucial area is Europe, and through the European recovery program, we have done much to help restore the war-torn economies of the European democracies. However, the devastating physical destruction caused by the war and the many political, economic, and financial obstacles to normal living which the past 10 years have inexorably brought will make it extremely difficult to restore any real stability to Europe by 1952.

One of the more perplexing obstacles to stability in Europe, as well as the rest of the world, involves the problem of achieving balanced trade relations. If Europe is to be self-supporting, it must find ways not only of producing more but of selling more to other countries in return for the products which it must import.

The advantages of reducing trade barriers and expanding world trade are too numerous and well-known to be enumerated here in any detail. As workers in the United States we benefit by an expanding world trade in two particular respects: (1) Over 2,000,000 workers in this country are dependent upon exports

for their jobs; the most recent analysis of the Bureau of Labor Statistics indicates that the employment of nearly 2,400,000 workers in the first half of 1947 was dependent upon exports. (2) As consumers we are able to purchase foreign-made goods, which otherwise would not be available for consumption in this country.

If the principle of reducing trade barriers is valid at all, it is valid with reference to the trade barriers of the United States. If stability can be achieved, it can be achieved only if this country is willing to purchase more products from other nations than heretofore. We must become more import-minded. Only in this way can the rest of the world obtain the dollars which are necessary to enable them to make their purchases from us.

The chief instrument by which this Nation can contribute toward a progressive reduction in world-trade barriers is the reciprocal-trade agreements program. Under this program, this country has already reduced its duties by some 50 percent on the average; and we have very few quotas on imports and no embargo at all. Because of our stake, as workers in a free society, in developing a peaceful and prosperous world, we firmly support a 3-year extension of this program.

While we unequivocally support extension of the Reciprocal Trade Agreements Act, we wish to make it clear that this does not imply endorsement of each and every tariff or import duty which has been or will be negotiated under this program. In fact, we feel that the level of import duties on some commodities may be at a point beyond which further reduction might endanger production and employment opportunities of the domestic industries producing competing products.

We have a number of national unions that operate in industries that are faced with competition from imports. The resolution quoted above takes into account the validity of their concern. We support their position. Imports that come from countries where prevailing wages are low do offer a threat to our labor standards and we urge that care be taken to assure ourselves that such imports do not undermine these standards. This is a question of the prices at which such imports can be sold in this country in competition with our own output. We do not fear fair competition. The rate of duty should be sufficient to provide against prices that will force industry to depress wages and seek to impose unsatisfactory working conditions; but they should not be higher.

The American Federation of Labor takes the greatest pride in the productivity efficiency of the American worker. We realize that through the application of new production techniques, improved machinery, and the efforts of the organized labor movement in this country, the American worker, with his machine tools, is far more productive and efficient than his counterpart anywhere in the world. This greater productivity is directly responsible for the fact that the American standard of living is higher than anywhere in the world. This high productivity means, in many instances, that the products made by American labor have a lower unit cost in this country than similar articles made abroad, and that many products of American labor can be exported and sold in competition with similar products made in other countries.

Nevertheless, what is true for American industry as a whole may not be true for each specific product made in this country. There are some instances in which foreign competitors utilizing substandard conditions of employment can and do compete directly with American products and could, in the absence of reasonable protection by import duties, drive these producers to lower levels and deprive American workers of employment.

I do not mean to imply that we should refrain from reducing our import duties every time a businessman claims the lowered duty will force him out of business. What I do say is that the facts surrounding each proposed reduction must be carefully examined for its possible effects on domestic production and employment, that the total effect of the reduction, on exports as well as imports, must be studied, and that ample opportunity to present their views must be afforded those who might be affected by the reduction.

In other words, it would be wise to examine with care the character of competition that would be encouraged by further duty reductions. The Tariff Commission seems to us to be the appropriate agency to carry out the necessary factual investigations of comparative labor costs in various countries and related data needed to aid and guide the State Department in its negotiations. This is good procedure and would not injure the sound administration of the trade-agreements program. We urge that the authority of the Tariff Commission be accorded full recognition in the adjustment of tariff rates and believe that this will not hinder the progress of the trade agreements program.

This process of determining possible reductions in import duties is naturally a very complicated one. Because it so directly affects the workers in the industries concerned, it is of primary concern to organized labor, and one on which labor must be consulted.

Because this question is so important, the recent A. F. of L. convention, in endorsing the reciprocal-trade agreements program with the words I have already quoted, added the following comment:

"* * * We urge that in the process of reaching reciprocal-trade agreements affecting the labor standards of our workers that labor be accorded an appropriate and adequate opportunity of presentation and effectual representation."

To a certain extent labor is represented now in the process of determining import duties since, along with other interested parties it is given the opportunity of presenting its point of view before the Committee for Reciprocity Information. However, this representation needs to be strengthened. As it stands now, presentation before this committee must be confined to general comments because no indication is given of the contemplated tariff reductions. In order to make this system more effective, either labor representatives should be part of the team negotiating the agreement or labor should have an opportunity of presenting its views before the proposed reductions are finally adopted. In any event, if the principle of labor representation has any meaning, it should mean that labor's views should be sought with respect to specific import duties and not simply the general level of import duties.

BRIEF AGAINST THE REENACTMENT OF THE TRADE AGREEMENTS ACT

Prepared by Arthur Besse, president, National Association of Wool Manufacturers, for the Senate Finance Committee, February 22, 1949

The Trade Agreements Act should not be further extended.

Much has been said about the act, a considerable amount with the object of concealing its real purpose. It is becoming increasingly apparent that the act is being used to bring the United States to what amounts to a free-trade basis and to freeze that basis by making both the free and dutiable lists the subject of international agreements.

Anyone has a perfect right to espouse the principle of free trade, but the advocacy of such a program should be honestly conducted. The aims of such a program should not be obscured by a listing of impracticable objectives, unjustified emphasis on terms such as "reciprocal," or reiterated assurances that no domestic producers will be hurt, when the program, if successful, necessitates a curtailment of the domestic producers' home market.

An examination of the record will, I think, show the act in broader perspective and give an insight into its underlying purpose.

The original amendment of 1934

The first Trade Agreements Act in 1934 was largely the work of Cordell Hull, then Secretary of State. Mr. Hull has always been consistent in advocating the reduction of tariffs and, so far as I know, has never suggested that the reduction should stop at any particular point.

In his "Memoirs," in speaking of his desire to reduce the 1930 tariff rates, Mr. Hull says (p. 358) ,"It would have been folly to go to Congress and ask that the Hawley-Smoot Act be repealed or its rates reduced by Congress." So the trade agreements program was devised to bypass Congress. According to Mr. Hull (p. 354), the Executive Committee on Commercial Policy drafted a bill delegating tariff powers to the President since the committee was "agreed that only this type of executive agreement could succeed."

However, the act was never publicly described by its proponents as a device by which Congress would delegate to the Executive the power to do that which Congress itself would not do if it were consulted. The original act was urged as a measure which would overcome the effects of the depression of the early thirties. Mr. Hull himself said that the act was "not an extraordinary plan to deal with ordinary or normal conditions, nor an ordinary plan to deal with extraordinary conditions" but was "an emergency measure to deal with a dangerous and threatening emergency condition."

The drafters of the bill went considerably further and stated that the purpose of the bill was to expand the foreign markets of the world and thus (1) to

restore the American standard of living; (2) to overcome domestic unemployment and the economic depression; (3) to increase the purchasing power of the American public; and (4) to establish and maintain a better relationship between American agriculture, industry, mining, and commerce. Of course, no one can or ever has attempted to show that these objectives were attained, even in part.

There was also included in the bill a provision that the President not only could lower existing tariff rates by 50 percent but could increase them by the same percentage. Mr. Hull, writing 14 years later, said (p. 359), "Although tariff rates could be raised or lowered, it was obvious we would reduce them, since no other country would sign an agreement to increase our tariffs." In other words, the provision that rates might be raised was pure camouflage.

The 1937 renewal

By 1937 Mussolini had overrun Ethiopia; Japan had been operating in Manchuria for over 5 years; Hitler was devoting his attention primarily to building up Germany's war potential. The advocates of the trade-agreements program adopted a well-known industrial concern's slogan, "World Peace through World Trade." It was an appealing argument, and although Mr. Hull himself says (p. 363) that he "never claimed that trade agreements would be an absolute panacea against war," the peace argument was widely used. Many people today still repeat parrotwise the slogans of 1937 and believe that an increased volume of foreign trade will promote world peace. Certainly world peace would encourage more foreign trade, but nobody has ever been able to show that the reverse would be true.

The 1940 renewal

By 1940 World War II was under way, and the United States was endeavoring to achieve some degree of preparedness in case we became involved. The old arguments for the trade agreements were again brought forward. Here is the way it was put by one of the proponents:

"The choice before us is whether we shall read the way toward the slough of despair and ruin for ourselves and others, or toward the heights of economic progress, sustained prosperity and enduring peace for our Nation and the world."

Of course, no one could prove or disprove such a statement, either when it was made or since. If there was the slightest bit of evidential support for such an assertion, I would be an ardent advocate of the program.

The 1943 renewal

In the midst of war, neither economic arguments nor the peace theme appeared appropriate. The plea was more or less of the "don't-rock-the-boat" character. Sumner Welles of the State Department said that United States action on the renewal of the program would "be regarded by peoples throughout the world as an acid test of our future intentions respecting the peace." The act was again renewed, although foreign countries paid little heed to that circumstance. In fact there is no indication whatever of any real foreign enthusiasm for the United States trade-agreements program.

The 1945 renewal

In 1945 the emphasis was on two arguments. One was a renewed allegation that our trade with agreement countries had increased to a greater extent than our trade with nonagreement countries. The other was that the program would assure our mass-production industries a profitable overseas market after the war.

The tabulation on trade with agreement countries and nonagreement countries made by the State Department was misleading in the extreme. It purported to show that between 1934–35 and 1938–39 our exports to trade-agreement countries increased 63 percent while exports to non-trade-agreement countries increased only 32 percent. The tabulation excluded from the list of "agreement countries," Ecuador, Turkey, Venezuela, and the United Kingdom and its crown colonies on the ground that the agreements with those countries had been in effect a relatively short time. The tabulation included with the "nonagreement countries," Germany, Italy, Spain, Japan, and China—all either at war or preparing for war. Including the first list of countries with the trade-agreement countries and excluding the war countries from the nonagreement countries, the exports to agreement countries showed an increase of 62.8 percent and the exports to nonagreement countries an increase of 57.8 percent. This is an insignificant difference. Obviously, a statistician, by excluding or including various groups, could reach almost any dictated conclusion.

The lure of profitable postwar exports proved a powerful magnet in drawing supporters from the mass-production industries. But the argument caused some concern abroad. Two writers in Harper's in February 1945, said, "This country is moving into a campaign backed by all our industrial and financial might to capture as large a share of the world's markets as possible." The president of the American Chamber of Commerce of London said: "On the one hand American industry is wholly desirous of helping Britain technically, but when it comes to competition in neutral markets, American industry is going to get all the business it possibly can." This United States drive for exports is considered "economic aggression" abroad and is by no means improving our foreign relations.

The outstanding feature of the 1945 renewal was the President's statement that he had used up his bargaining power and needed authority to cut United States rates further if he was to continue to obtain reciprocal concessions from other countries. Since a very considerable grant of power had been conferred in 1934, the assumption was that, in the process of using it up, concessions of considerable magnitude had been obtained from other countries. Such an assumption is incorrect. This aspect of the program is more fully covered below.

An argument extensively used in 1945 (and later in 1948 and 1949) is that no domestic industry had been damaged. The argument is not persuasive. At no time since 1937 or 1938 when the more important agreements were signed have foreign countries been in a position to send us a large volume of goods. They were unable to capitalize on whatever benefit they may have expected to obtain as a result of our lowered tariffs. The so-called escape clause was widely discussed and has been written into most of the agreements. However, it has never been used, and the administration can escape the necessity of invoking it by merely claiming that an increase in imports was not unforseen. As a matter of fact, it would appear that all increases may be considered foreseen, since presumably the only purpose of a tariff reduction is to promote an increase in imports.

Although the so-called escape clause is a somewhat weak reed for domestic producers to rely upon, the administration has resisted attempts to write into the act the requirement that the escape clause must be incorporated in all agreements. It is difficult to see the logic behind this unless there is a definite intention to damage domestic enterprises.

A study of the trade-agreements program must lead to the conclusion that injury to domestic industry is inevitable and intended. Except in these branches of industry where domestic producers are unable adequately to supply the domestic market, any increase in imports will reduce the potential market for domestically produced goods.

Despite the assurances that no damage would be allowed to disrupt domestic industry, instances of such damage are beginning to accumulate. The list includes watches, lace, rubber foootwear, pottery, and wool gloves, among others. Complaints are being voiced by oil producers and various mining enterprises.

It would appear that the administration has at long last begun to realize that it is not possible to hand over a part of our domestic market to foreign interests without taking it away from our own producers. Under Secretary Thorp, speaking before the Ways and Means Committee on January 24, 1949, complained that the peril-point system prescribed by the 1948 act makes "narrow protectionism the sole criterion for determining the concessions which may be made by the United States in trade agreements." Since tariff is no longer of importance for revenue, its sole purpose is protection. What Mr. Thorp says in effect is that other considerations should override the necessity for protection. If a tariff is not for protection, what is it for? If other considerations are to be paramount, how can the tariff protect and how can domestic industry escape damage? This is the essence of the argument.

Bargaining power

In 1945, as already outlined, increased bargaining power was requested. It is interesting to see what has happened to our bargaining power from 1934 to 1949. The Tariff Commission has calculated that if price levels had remained constant and the character of our imports had continued unchanged, the reductions in tariffs under the several trade agreements negotiated would have had the effect of cutting the average duty collected on dutiable imports from 48.2 percent under the 1930 rates to 25.4 percent under the 1948 rates—a reduction of nearly one-half. The reduction of our tariffs, however, has been going on during a period of rapidly advancing prices when specific duties were becoming, at least theoretically, less and less adequate and representing a constantly decreasing percentage of the value of the imports to which they are applied.

The true picture is shown by a comparison of the actual duties collected with the value of dutiable imports. In the period 1930–34, just before the trade agreement amendment was passed, the duties collected represented 50.2 percent of the value of dutiable imports. In 1948, the duties collected represented approximately 14 percent of the value of dutiable imports. This is the real measure of our remaining bargaining power.

The term "reciprocal"

It would be reasonable to expect that we should have received something of value in exchange. I do not believe it is an exaggeration to say that we have received nothing by way of exchange. State Department representatives, in urging a continuance of the trade-agreements program, admit that never before have foreign barriers against the importation of our goods been higher or more restrictive.

Under what is called a reciprocal program, United States tariffs on dutiable imports have dropped from an average of over 50 percent to 14 percent, and the average collected on total imports has dropped from 43 percent to 5.2 percent, while foreign barriers have been substantially increased.

There is no country of substantial size with which the United States has concluded trade agreements which has not taken steps to nullify the concessions made to this country. In some cases such action was taken in accordance with provisions of the agreement and in some cases not. The net result has been that concessions given to us have been withdrawn or nullified, although concessions which we accorded to other are still in effect.

Practically all countries with which we have agreements have adopted a system of import licenses operated by the government. Many of these systems are supplemented by the use of exchange allocations. If the tariff rates or quotas maintained by foreign countries are not sufficient to keep out certain goods they are now excluded by a refusal to issue an import license or a deniel of an allocation of the necessary exchange.

The following countries, with which we have concluded trade agreements, have import-licensing systems: Argentina, Australia, Benelux, Brazil, Burma, Ceylon, Colombia, Cuba, Finland, France, India, Iran, Lebanon, Mexico, New Zealand, Norway, Pakistan, Peru, Southern Rhodesia, Sweden, Syria, Union of South Africa, United Kingdom, Uruguay, Venezuela.

Most of these countries also allocate exchange.

France, in addition to using import licenses, twice devalued its currency, uses a multiple-currency system, and has reimposed certain previously suspended tariff duties.

Mexico not only uses import licenses but has devalued its currency, increased its tariffs, embargoed certain imports, and imposed a surtax on many imports.

China has established new tariffs, imposes a rebellion-suppression tax on imports, and screens imports through a governmental purchasing agency.

Sweden, after signing an agreement with us, was obliged to use quotas and to discriminate against United States goods in a manner specifically prohibited by the agreement.

Ecuador, using a system of exchange allocation, also imposes special import taxes and surcharges.

Costa Rica relies upon exchange control.

This leaves El Salvador, Haiti, Guatemala, and Honduras in the Western Hemisphere, and Iceland, Turkey, and Switzerland in the East. They all have various types of controls, but they are less rigorously applied.

This is a sorry record for a program that set out to reduce barriers to trade throughout the world. Only in a few cases, however, are the foreign countries to be censured for the erection of these barriers to trade. In most cases their utilization has been the result of stark economic necessity. In some cases these restrictive barriers have merely served to replace tariffs which we unwisely induced other countries to lower before they were in a position to do so.

The point of reciting these facts is twofold:

First, to show the ridiculousness of the statement that "the trade agreements program is a proved and tested method of reducing world-wide barriers to international trade," and

Second, to show the folly of the State Department's insistence on hastening to conclude these agreements with foreign nations before those nations are in a position to carry out their commitments. The obvious conclusion is that the State Department, despite its propaganda which has made such a strong appeal to exporting interests, is intent not so much on lowering trade barriers abroad

as on lowering United States tariffs and nailing them at a drastically lowered level.

It is known, of course, that the State Department, the Commerce Department, and the Economic Cooperation Administration all have units whose function it is to stimulate imports.

Mr. Harriman. when he was Secretary of Commerce, said. "The slogan 'Buy America' is dead; we should buy abroad."

That appears to be the object of the program—to buy more abroad and to buy less at home, regardless of the effect upon certain domestic enterprises and those employed therein. The protestations of concern for domestic industry can scarcely be sincere and certainly cannot be implemented if the program is to result in increased importations of competitive products, which is its acknowledged aim. The talk of reciprocal concessions and the exaggeration of the value of concessions made to us by other countries appear to be largely window dressing. The fact that we do not take retaliatory action when other countries have to take steps to nullify their concessions clearly indicates that the State Department is little concerned with the concessions made by foreign countries. It would appear that the Department is primarily concerned with getting this country on as nearly a free-trade basis as possible and doing it while upset world conditions make it impossible to test and observe the effects of the drastic progressive cuts being made in United States tariff rates.

It should be noted that some of our officials would use the delegation of tariff power for the even broader purpose of remaking our economy. Under Secretary Thorp said on January 24 last that under the act which is pending before you, he, and other officers concerned in carrying it out, would "have a clear mandate to broaden the bases of United States foreign trade * * * and *to guide the economy as a whole into the most productive lines possible.*" (Italics added.)

This certainly suggests that the intent is to liquidate certain enterprises and promote the expansion of others. If that is the intent—and I believe it is—I raise the question as to whether Congress should delegate such a task to Mr. Thorp and his fellow workers in the State Department or should itself participate in this endeavor to remake our economy.

This is the picture which is presented today. It is not the picture which has been painted hithertofore when the Trade Agreements Act has come up for relative. If may well be asked, why, of this is a true picture, does the act have such apparently wide public support. There are two reasons. The first is that the subject is complicated and that the glib arguments urged in support of the act, although largely spurious, have obscured its real purpose. The second is that the program is the only method which has been available to permit the reduction of tarriffs which may be higher than necessary, without requiring full congressional review of the many complicated schedules of the tariff structure.

Some tariffs have been higher than were required under the conditions which have existed since 1930, and a case can be made for their reduction. But the proper way to correct a tariff which is too high is to cut it to a point where it is just high enough. The State Department's objective, however, appears to be a point not "just high enough" but a point which is definitely "too low" so that domestic producers will have to surrender a part of their market to imports. Such an objective is implicit in the trade-agreements program and has been tacitly admitted. I cannot believe that that objective would be approved by the Congress, nor that even if it were, Congress would want to delegate to the executive branch of the Government the responsibility for carrying it out.

The trade-agreements program is not what most people have been led to believe. It is a dangerous grant of power to "guide our economy" as an executive department believes it should be guided. It is leading the United States into economic and political difficulties from which it will not be easy to extricate ourselves. It is being used in connection with the general agreement on tariffs and trade to lead us into the International Trade Organization which would "guide the economy" not only of the United States but of the world.

The program should not be renewed.

There should, however, be machinery for adjusting our tariff rates, and a full congressional debate such as occurred in 1929 and 1930 does not appear a very satisfactory method. But neither does the trade-agreements program, which is a one-way street making our markets increasingly vulnerable to foreign competition and tying our hands without reducing barriers to our trade abroad. What we need is a real flexibility of tariff rates and freedom to change them when they should be changed without the necessity of obtaining permission of foreign competitors.

A practical program was presented to the last Congress as S. 2582. It provided for the establishment of a Foreign Trade Authority with power to establish United States tariff rates which would promote fair and reasonable competition between foreign imports and domestic products. Action under this delegated power would be subject to congressional veto but would not require congressional approval. Provision was made for cancellation of existing trade agreements but for adherence to the tariff rates therein specified, leaving foreign countries free to handle their own import problems in the light of their own best interests—a procedure which foreign countries have pretty well had to adopt despite their trade agreements with us.

I invite immediate attention to the proposals made in S. 2582 introduced in the Eightieth Congress. The program there outlined would permit the accomplishment of all the legitimate objectives of the trade-agreements plan but would not tie our hands as the trade-agreements program has done and would eliminate the logrolling and horse-trading technique of setting tariff rates by international agreements.

NATIONAL WOOL GROWERS ASSN.,
Salt Lake City 1, Utah, February 16, 1949.

Honorable WALTER F. GEORGE,
Chairman, Senate Finance Committee,
United States Senate Building, Washington, D. C.

DEAR SENATOR GEORGE: The situation confronting the domestic sheep industry is well known to you and the Senate Finance Committee. It appears this year that we are confronted not only with the disastrous forces of nature but also with the definite possibility, as evidenced by the action of the House of Representatives, of the return by the Department of State and the Interdepartmental Committee of the "iron curtain" tactics of negotiating the so-called reciprocal trade agreements.

We are opposed to trade agreements negotiated in this manner and much prefer the Trade Agreements Act as it now stands, not because it is remedy but as a safeguard. We ask that the peril-point amendment be retained in future trade-agreements legislations.

Our position is and always has been in favor of a fair and equitable tariff for the sheep industry. In this connection the following action was taken at our eighty-fourth annual convention in San Antonio, Tex., on February 1 through February 4, 1949:

"We reaffirm our traditional stand that a tariff equalizing production costs is the proper way to protect the American sheep grower. We further believe that any proposed agreements under the Recriprocal Trade Act should have the approval of the Congress of the United States."

The brevity of this letter in no way minimizes our concern in this problem. We urgently request consideration of the position taken by the domestic sheep industry and ask that this letter be made a part of the record.

Sincerely yours,

J. M. JONES.

MINNEAPOLIS, MINN., *February 21, 1949.*

SENATOR WALTER F. GEORGE,
Chairman, Security Finance Committee, Office Building.

The retail jewelry business of the United States is largely dependent on the sale of and profit from Swiss watches. We believe that any change in reciprocal trade agreement which increases tariff on these watches would adversely affect our business. As president of the American National Retail Jewelers Association composed of 6,500 retail jewelers with about 50,000 employees, I respectfully suggest that you send this telegram into the records during the hearings of your committee this week.

MAURICE ADELSHEIM,
President, American National Retail Jewelers Association, S. Jacobs Co.

CHERRY GROWERS AND INDUSTRIES FOUNDATION, INC.,
Corvallis, Oreg., February 18, 1949.

Re Hearing on H. R. 1211, Trade Agreements Act.

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

GENTLEMEN: The Cherry Growers and Industries Foundation, representing growers, processors, and shippers of cherries in the States of California, Oregon, Washington, and Idaho, desires to record in this manner its earnest opposition to those provisions of H. R. 1211 which would eliminate the present fact-finding role of the United States Tariff Commission in connection with modification of tariff rates through trade agreements.

We believe it to be of vital importance that the President have the benefit of the expert and impartial findings of the Tariff Commission relative to possible effects of tariff reductions upon domestic producers, before he enters into any trade agreement making such tariff reductions.

The procedure now prescribed by the Trade Agreements Act tends to protect against ill-advised sacrifice of tariff protection without a full understanding of the cost involved to our domestic industries. It affords an opportunity for domestic producers who would be affected by a tariff reduction to present their casecase before an agency which is independent of the policy-making officials and departments which originate the proposal for tariff reduction, and which is competent to determine the facts.

The present procedure assures the domestic industries that the President will be impartially and expertly advised as to the cost and sacrifice involved in any proposed tariff reduction.

Tariff protection is of vital concern to our American cherry industry, the annual crop of which is now valued at almost $50,000,000. One of the principal market outlets for domestic cherries exists only by reason of the duties upon foreign cherries. More than one-fourth of the United States production of sweet cherries, as well as substantial quantities of sour or tart cherries, are now brined for manufacture of maraschino and glacé products. This market is made possible by the duty upon foreign brined cherries.

Prior to establishment of the present tariff on brined cherries, practically all of the brined cherries used in the United States came from abroad, chiefly Italy. It was impossible for the growers and processors of domestic cherries to compete with the cheaply produced and processed foreign cherries; hence, there was no important commercial cherry-brining industry in the United States.

Upon establishment of tariff protection, however, the American brining industry immediately developed. The cherry growers, who for several years had been struggling under the burden of disastrous surplus production over the volume the then-existing markets could absorb, took immediate advantage of this new brining outlet for their cherries. They built extensive brining plants, formed cooperatives and other organizations for brining and marketing the brined cherries, and undertook a vigorous market-development program for such cherries. New and improved methods of brining were developed and high standards of grade and quality were achieved.

As a result, the brined cherries now constitute the principal processing outlet for sweet cherries. The volume brined exceeds that which is canned, and indications are that brining will soon exceed the fresh market and thus become the largest market outlet for our domestic sweet cherries.

Loss of the present domestic brined-cherry markets to foreign producers would divert to the fresh and canning markets this large volume of cherries now marketed in brined form. Those remaining markets, subject as they are to rather definite limitations, could not possibly absorb these added supplies, with consequent demoralization of all the markets, including those for the sour cherries as well as the sweet varieties. The issue is, therefore, of great importance to the growers in the sour-cherry Eastern and Midwestern States along with the sweet-cherry growers on the Pacific coast.

Present tariff rates on brined cherries are in no manner prohibitive. Large quantities of Italian brined cherries have come into the United States each year since the end of war, and they compete most actively with the local cherries in our domestic markets. They are now being offered on a landed New York basis, duty paid, at prices which are actually less than the cost of production and delivery of the domestic cherries. It is apparent, therefore, that even with present duty rates the foreign and domestic cherries are highly competitive. It is obvious that without any tariff protection to act as a floor to this price com-

petition from the imported article and under the pressure of the great volume of foreign cherry production suitable and available for brining and export to the United States the domestic industry would quickly lose the domestic markets.

It should be noted that approximately 50 percent of the cost of brining and pitting cherries in the United States is cost of labor, and more than 60 percent of the cost of growing and harvesting the cherries is cost of labor. The brined-cherry industry, therefore, represents in about equal proportions the interests of agricultural producers and the interests of labor employed.

These data are thus cited to indicate the very real concern the American cherry industry has in the process by which tariff protection is maintained, is modified, or is removed. Cherries are not a commodity the production of which can be quickly adjusted to meet shifting or temporary market conditions. A cherry orchard represents the grower's lifetime work and investment. If he is forced to abandon or pull the orchard, he suffers a tragic and irreparable loss of time, effort, and capital. It is only natural, therefore, that the growers feel very keenly the necessity for a fair, nonpolitical, and impartial investigation of the effects of tariff modifications prior to any trade-agreement commitment to such modifications.

We therefore respectfully urge that section 5 of H. R. 1211 be stricken, so that the Tariff Commission will continue its investigations and determinations of peril points prior to negotiations leading to tariff modificatons, as provided in the present law.

Retention of the present procedure will give assurance to the domestic producers that their interests are not to be wholly ignored and blindly sacrificed by their Government in its negotiation of future trade agreements. It would seem that the constitutional responsibilities of the Congress require no less than this assurance.

We further endorse inclusion in H. R. 1211 of a provision which would require each trade agreement entered into thereunder to contain a so-called escape clause whereby each party to the agreement may, upon timely notice, withdraw any or all concessions granted thereunder which are found to be injurious to its domestic producers.

It will be appreciated if this statement may be included in the record of your committee hearing upon H. R. 1211 .

Respectfully,

CHERRY GROWERS & INDUSTRIES FOUNDATION,
By ROBERT E. SHINN, *President.*

STATEMENT OF FRANK W. TAYLOR, SECRETARY-MANAGER, NORTHWEST HORTICULTURAL COUNCIL, WENATCHEE, WASH., RE EXTENSION OF THE TRADE AGREEMENTS ACT (H. R. 1211)

REPRESENTATION

The Northwest Horticultural Council is a nonprofit corporation organized under the laws of the State of Washington. Its membership is as follows: Washington State Apple Commission, Wenatchee Valley Traffic Association, Yakima Valley Traffic Association, Hood River Traffic Association, and Rogue River Valley Traffic Association.

The member associations are composed of growers, individual shippers and shipping firms, sales organizations (including grower sales agents), growers cooperative organizations, fruit distributors and exporters of deciduous fruits produced in and shipped from the States of Washington and Oregon. The council represents the growers and shippers of practically 100 percent of all commercial apples grown in the two States and in excess of 90 percent of all commercial deciduous fruits grown in those States. The annual production of deciduous fruits in the States of Washington and Oregon approximates 1,380,925 tons grown on approximately 147,625 acres of orchard, which production has an aggregate farm value averaging in recent years approximately $125,000,000 annually.

Apple production in the States of Washington and Oregon equaled in 1947–48, and normally equals, approximately one-third of total United States commercial production. The States of Washington, Oregon, and California account for almost all of the Nation's export production of fall and winter pears.

The importance of the export market to the Pacific Coast States of Washington, Oregon, and California is manifested by the fact that there was exported 28.64 percent of all apples shipped from the States of Oregon and Washington

in 1938, the last year before the war interrupted all exports. This is compared with 11 percent exported from the national production. Fall and winter pears for the years before the war shipped an average of 43.8 percent to export. The winter-pear production for the three Pacific Coast States averages from 4,000,000 to 6,000,000 boxes annually. It constitutes a major crop in such centers of production as Medford and Hood River, Oreg., upon which the entire community largely depends for its livelihood. The maintenance of these industries on a profitable basis therefore poses a problem of widespread magnitude and of deep social and economic importance.

THE POSITION OF THE COUNCIL ON TRADE AGREEMENTS

The Reciprocal Trade Agreements Act became law June 12, 1934. The apple and pear industries through their then constituted agencies have affirmed and reaffirmed their endorsement of the policy of the Trade Agreements Act and have consistently supported the renewal of the act from time to time. We again reaffirm our endorsement of the policy as set forth in the preamble of the act and of the means provided in the act for the practical application of the policy to the restoration and further development of international trade. We are, however, deeply concerned with the way the act has been administered and have strong reason to doubt that under present world conditions the act can be made to perform the function for which it is intended. In fact, the experience of our industry with the trade agreements negotiated to date in which apples and pears were items of negotiation, leads us to the unavoidable and disappointing conclusion that the treaties have failed to establish that equality of treatment upon which the success of the policy depends.

This industry (considering apples and pears as one), has pointed out over and over again in many statements filed with the Committee for Reciprocity Information the basic principles which must be incorporated in any trade agreement, beginning with those filed in 1935 and continuing down to those recently filed by this council in relation to the 11 nations with whom trade agreements are scheduled for negotiation next April. The beneficial results of the agreements have been difficult to find. They have certainly not developed or restored export trade in our commodities. We recognize the World War II has largely and, in fact, almost entirely destroyed our export trade in fresh fruits following 1939–40. On the other hand it has greatly increased our imports of these same fruits. These increases have been made possible and encouraged by the generous reductions granted in January of 1936 and 1939 and 1947 in our tariffs without compensating concessions on the part of nations to whom concessions were granted.

By our endorsement of the policy of negotiating trade agreements which shall be reciprocal in fact as well as in name, we do not subscribe to the use of the authority as an instrument of foreign policy outside the economic field. Our concept of the act is that it was intended to be economic and domestic in character and to be an instrument for the breaking down of trade barriers which had grown up in multiple forms in the period of trade war growing out of World War I. The United States entered the trade war and precipitated reprisals following the Tariff Act of 1930. Britain and the Commonwealth of Nations launched the principle of Empire preference, and other devices to form a trade-union within the Empire. Other nations raised a multitude of trade barriers. The policy which found legislative expression in the Trade Agreements Act of 1934 was designed to break down these barriers which were stifling international trade and causing increasing irritation between otherwise friendly nations and former allies and neighbors. The 14 years' experience since the policy was placed in active operation in January 1936 has not, in our judgment and as a result of its effect on our own industry, been satisfactory in many respects.

The executive branch, to which Congress had delegated its power under the Constitution "to lay and collect import duties," has not always seemed to appreciate or understand the effect upon a business or industry of concessions granted in duties. They have frequently failed to secure compensating concessions of economic value where the same product was both an import and export item. For example, the United States duty on pears was bound in the treaty with Argentina at ½ cent per pound November 15, 1941. This figures about twenty-two cents per box. The Argentine duty on United States pears, which up to 1931 had been duty-free, had been increased to 40 percent ad valorem at point of entry. At a delivered valuation, including freight and refrigeration costs of $5 per box, the Argentine duty is now about $2 a box. Ours remains and

is bound at 22½ cents per box. Argentina also imposes various other barriers, including an exchange embargo. This is not equality of treatment. The large and increasing importation of Argentine pears in competition with our winter pears is fostered and augmented by this misapplicaton of an economic policy. The winter-pear grower of the United States is now in trouble. The 1947 and 1948 winter-pear crops have not returned the grower's cost of production. Another year or two of present losses will result in bankruptcy and the pulling of trees. The Argentine apple duty is also 40 percent ad valorem. This duty is prohibitive—all business is stifled. The United States duty on Argentine applies is 12½ cents per bushel net weight or about 11 cents per box.

This duty of 12½ cents per bushel was a progressive reduction granted Canada in 1936—a reduction from 25 cents per bushel to 15 cents, which was renewed in the treaty of 1939, and further reduced January 1, 1948 to 12½ cents. Argentina—with no compensating concession whatever—was automatically granted these reductions while maintaining what is tantamount to a complete embargo on the importation of United States apples and pears. This is not equality of treatment. We object to extending the concessions granted one nation automatically to another nation without a compensating concession or quid pro quo which will effectuate the purpose of the act. There is no hope of regaining or opening up a specific foreign market where the concessions are made gratis.

In fact, there is evidence to indicate that our most-favored-nation policy is not acceptable to many other nations as an economic policy. The evidence lies partly in the fact that while we are sponsoring a multilateral trade policy, many bilateral agreements are being consummated to which the United States is not a party, and trade treaties are made without reference to the extension of concessions incorporated in such bilateral agreements to other nations. We do not consider this equality of treatment which our policy is supposed to require of all signatory nations to the Geneva agreement. Neither is it an endorsement of the spirit expressed in the ITO charter in anticipation of its adoption. Quite the contrary.

The effect of this policy or maladministration of the policy in the case of Argentina is apparent in the following data:

Argentina imported from United States during the 1926–31 5-year period annually an average of 253,800 boxes of apples, all from the Pacific Northwest States of Oregon and Washington. This has been reduced to zero. In pears, Argentina imported 78,100 boxes in the 1929–30 season, a high point. This has been reduced to zero.

Argentina pear exports to United States in 1935 were 2,871 boxes. In 1941 when the Argentine treaty became effective, 329,907 boxes entered our markets, an increase of 11,491 percent. It is apparent that a grave injustice has been perpetrated on the winter-pear grower who is now in dire straits—perhaps unwittingly, but none the less disastrously to the unfortunate United States pear producer.

The United Kingdom and Canadian situation is another example which also demonstrates the inequities which have developed under the policy as it has been administered. Following the passage of the Tariff Act of 1930, Canada inaugurated a system of seasonal duties figured on arbitrary values which came to be called dump duties. These applied on fruit and vegetable imports from the United States. They were prohibitive and completely stopped all trading while they were in effect. Later modifications of the system were made but they remained completely prohibitive. The dump duties were in effect in 1936 when the first trade agreement with Canada was signed and were scaled down about 20 percent in that treaty. They remained, however, fantastically high on apples and all other fruits, pears, cherries, peaches, plums, and prunes. The United States tariff was lowered from 30 cents a bushel net weight to 15 cents without any effective compensating reduction in the Canadian tariffs. The Canadian tariff on a carload of apples, for example, ranged from $373 a carload (750 boxes) to $528, depending on the price, while the United States tariff on Canadian apples was reduced to $63.60 a carload. Moreover, and of equal importance, it extended our 15 cents per bushel by reason of our most-favored-nation policy to Argentina, Australia, New Zealand, South Africa, and Chile, which are all apple-producing nations. The effect on Argentine exports to the United States has been recited. Southern Hemisphere apple and pear exports have become and will remain a threat to United States apple growers so long as this inequality is permitted to continue.

Following the passage of the Tariff Act of 1930, the United Kingdom at the Ottawa Conference in 1932 launched her policy of Empire preference and on November 16, 1932 levied a tariff of 4s. 6d. per 122 pounds on all apples imported from outside the Commonwealth of Nations, about 42 cents a box. This tariff remained in effect until the recently negotiated treaty of January 1, 1948 removed this tariff on apples but did not remove an equally high tariff on pears. Canada, Australia, New Zealand, South Africa were, of course, allowed entry duty free—which had prior to November 16, 1932, been extended to the United States. The result of the Empire preference policy was to reduce United States apple exports to the United Kingdom from a peak of 9,153,081 bushels in 1931–32 to 2,334,323 bushels in 1936–37. This had a serious impact on the United States markets because our United States production had been geared to the export market. Following 1939, of course, with the advent of war in Europe on September 3, 1939, there were practically no exports of consequence.

The effect of the war was equally devastating to Canadian exports. Canadian production, especially that of British Columbia, and greatly expanded under the impetus of the Empire-preference policy. Canada's exports to the United Kingdom market increased by leaps and bounds while ours fell away sharply. British Columbia exported about 40 percent of her production, reaching 2,686,653 boxes in 1938–39, the last full year of export before the war. There were some intermittent purchases by Britain of both United States and Canadian apples following the war, but with the inauguration of the "austerity program" in November 1947, there has been no importation whatever of either United States or Canadian apples.

The result has been that Canada has greatly increased her exports to the United States. These come almost entirely from British Columbia, packed in the standard northwest apple box, and largely of the same varieties as those produced in the Pacific Northwest. These imports have had a serious impact on the United States domestic markets. The reduction in the United States duty of 12½ cents a bushel of 50 pounds (or 11 cents a box of 44 pounds net) is no restraint whatever on imports. Up to the time when Canadian exchange was at a 10 percent discount (July 5, 1946), the discount more than paid the duty as the fruit was sold on a delivered basis in order to recover the maximum in United States dollars. A delivered sale at $3.50 a box gave the Canadian 35 cents in Canadian currency in addition to his price for the apples. There are no official limitations whatever on Canadian exports of apples to the United States. The United States has never imposed restrictive measures such as quotas, licenses, or similar limitations on apple or pear imports. The border is wide open coming this way. Neither has our Government ever raised the duty to Canada for trading purposes. The Canadian-United States trade agreement of 1948 eliminated the arbitrary value of "dump duties" and went to a specific per pound duty on fruits and vegetables. The duty on apples is ¾ cent per pound on the gross billing weight of 51½ pounds, or 38 cents a box compared with our 11 cents a box. No apples or other deciduous fruits have moved into Canada since November 1947 under their austerity program and exchange embargo. Canada exercises complete control of her imports of United States-grown fruits. We have no measure of control of imports provided in our Tariff Act of 1930 nor in the amendments thereto, nor in the trade agreement recently consummated.

We do not consider this to be equitable nor in keeping with the intent and purposes of the Trade Agreement Act. Equality of treatment is the only fair basis where the same product is involved. Canada still enjoys free trade on pears with the United Kingdom market when that market becomes available to her. Conversely, the United States is still subjected to a duty of 3s. per 112 pounds from August 1 to January 31 and 4s. 6d. from February 1 to July 31. Why Empire preference was retained on pears, of which Canada does not produce enough for her home use, and all other Commonwealth nations in the Southern Hemisphere and consequently their seasons are reversed from ours and is a State secret to which we have been denied the answer. It should be stated in this connection the United Kingdom does not produce pears in sufficient quantity for its own needs.

The effect of the trade agreements and the controls exercised by the Canadian Government on imports are clearly shown in the following table of United States apple exports to Canada since 1939 and Canadian exports to United States for the same period:

	Canadian exports to United States	Canadian imports from United States		Canadian exports to United States	Canadian imports from United States
1939–40	115,000	124,600	1944–45	2,683,700	40,100
1940–41	656,500	54,000	1945–46	[1] 41,600	3,900
1941–42	4,000	309,100	1946–47	1,022,142	355,599
1942–43	598,200	129,900	1947–48	1,484,401	176,571
1943–44	153,400	53,900	1948–49	[2] 1,690,962	[3] 14,585

[1] British Columbia export surplus (2.5 million boxes) was purchased by United Kingdom.
[2] To Jan. 22, 1949.
[3] To November 1948.

References: Canadian Dept. of Agriculture—U. S. Dept. of Agriculture.

We are not alone concerned with the great increase in Canadian apple exports to the United States. The impact on our markets greatly exceeds that which the total quantity indicates. They come in largely during the months of October, November, and December when our domestic crops are in heavy supply. They are doubly burdensome at that time of the season. Canada imposes seasonal duties on United States grown fruits when their crops are harvested and marketed. The United States fruit grower has never enjoyed any similar type of protection at the hands of his own Government. This inequality is not in keeping with the declared intent and purpose of the act. We therefore request that a method for adequate control of importations of competing agricultural and horticultural products shall be provided by Congress for the protection of the farmers and friut growers of the United States. These crops fluctuate widely in quantity from year to year. The need for import controls is therefore apparent. We suggest a method for control in the recommendations herewith.

In addition to the large increase in Canadian shipments to the United States since 1944–45 season, the United States apple grower is confronted with two problems of grave import to the future of this industry, which in the State of Washington, ranks third in agricultural production value. Its welfare is basic and essential to the economy of the State. Last year, 1947–48 season, the apple industry of the State showed a net loss to the growers of $7,000,000. This loss is figured on BAE figures of average returns and Washington State College survey of cost of production. This year, 1948–49, the loss will be in the neighborhood of $3,500,000 based on the same statistical sources. This is due to a short crop and an excess of unprofitable sizes and varieties which have sold for less than cost of production. Our export markets are practically nil, 250,000 boxes compared with an average of 8 to 10 million before 1940. The domestic market must absorb sizes and grades heretofore sold in foreign markets. Our costs of production are high—having increased over 300 percent since 1939–40. Canadian costs in British Columbia are about 50 cents per box less than those in Washington and Oregon. This situation constitutes a continuing and enduring threat to our production. British Columbia now produces normally about 9,000,000 boxes and can increase this to 12,000,000 boxes or more within a few years unless controls are developed to regulate the flow of Canadian apples into our markets on a basis which will enable the United States grower to compete on an equal basis.

In the light of the foregoing recital of the experiences of the apple and pear industry with these trade agreements, which are presented as illustrations of our position, we respectfully offer the following recommendations as a constructive approach to resolving some of the inequities which have arisen. We could extend these illustrations to other nations and trade agreements, but these more important ones will, we hope, suffice to impress on your committee and the Congress our sincerity and earnest desire to have these trade agreements made equitable and fair to all persons who are affected by them. Unless this is done, the policy will end in inevitable failure. It cannot stand for long against the half-hearted and reluctant support of many foreign nations, coupled with dissatisfaction here at home. The following principles are intended to strengthen the policy and make it more workable and effective than we have found it to be in the past 14 years of its operation.

RECOMMENDATIONS

The council proposes:

1. That section 336 of the Tariff Act of 1930 providing for equalization of costs of production be restored to the act for the protection of the producers of the United States.

2. That court review be provided of tariff cuts, classifications, and valuations of imported commodities on petition of American producers by reinstating section 516 (b) of the Tariff Act of 1930.

3. That inasmuch as no adequate and flexible method is provided in the Trade Agreements Act or elsewhere for controlling imports of agricultural and/or horticultural products which are subject to varying annual crop or seasonal production, that proper and speedy means of controlling imports of such products shall be provided by amendment of Tariff Act of 1930.

To this end and for purposes of clarification we approve the method suggested by the National Council of Farm Cooperatives on January 4, 1947:

"Whenever the Secretary of Agriculture certifies that the volume of competitive imports of any commodity or group of commodities, the domestic production of which is equal to domestic consumption, or to a substantial part thereof, or necessary to national defense, places or threatens to place a disproportionate burden on American producers of such commodities, such imports shall be limited to such definite quantities in relation to prewar imports and domestic supplies as will enable domestic producers to maintain a position of economic equality with other American social groups."

4. That any concession in tariff be limited to the particular nation or nations which grant concessions in return.

And as corollary thereto:

That provision be instituted and made mandatory that most-favored-nation treatment shall be extended only when and if the nation receiving such treatment grants reciprocal treatment.

5. That all tariff and trade agreements be subject to review and approval, before being made effective, by an independent bipartisan Government agency headed by an officer of other than Cabinet status; agricultural industry and the consuming public must be given sufficient notice of proposed trade negotiations in order to permit of sufficient preparation.

6. That no agricultural commodity should be included for consideration of tariff adjustments when the Secretary of Agriculture certifies that the domestic production of said commodity is generally equal to domestic requirements or necessary to the national defense, or where imports would place or would threaten to place a disproportionate burden on domestic producers of such a commodity. In instances where limited imports would not burden domestic producers, definite quantities of imports could be permitted.

7. That equality of treatment be made a cardinal principle in the negotiating of trade agreements; to wit, that equal rights and privileges and treatment with respect to such rights and privileges, be not less favorable than the treatment accorded to the nationals, corporations, or associations of any third country.

Respectfully submitted.

FRANK W. TAYLOR,
Secretary-Manager, Northwest Horticultural Council.

The CHAIRMAN. We will recess now until 10 o'clock tomorrow morning.

(Thereupon, at 5:30 p. m., the hearing was recessed until 10 a. m., Wednesday, February 23, 1949.)

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

WEDNESDAY, FEBRUARY 23, 1949

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

The committee met at 10 a. m., pursuant to adjournment, in room 312, Senate Office Building, Senator Walter F. George, (chairman), presiding.

Present: Senators George (chairman), Connally, Byrd, Lucas, Millikin, Brewster, and Williams.

Present also: Senator O'Mahoney.

The CHAIRMAN. The committee will come to order.

Is Mr. Francis in the room?

It is 10 o'clock, and we have to make a good deal of progress today, because we want to close the open hearings. Accordingly, we will proceed; the others will come in shortly.

You may go right ahead with your statement, Mr. Francis, and we will not ask you any questions until you have finished.

STATEMENT OF JOSEPH H. FRANCIS, EXECUTIVE SECRETARY, NATIONAL BOARD OF FUR FARM ORGANIZATIONS

Mr. FRANCIS. I will appreciate that, because I am just a farmer, Mr. Chairman, and this is rather a ticklish spot for a farmer to be in.

The CHAIRMAN. You go ahead, then, with your regular statement, and thereafter we will go back and ask whatever questions we wish to ask.

Mr. FRANCIS. My name is Joseph H. Francis, and I am executive secretary of the National Board of Fur Farm Organizations.

In addition, I would like to appear here as a farmer, inasmuch as I am in the business and engaged in raising mink and silver fox. It is my responsibility to represent our industry in regard to the legislation before the committee.

The National Board of Fur Farm Organizations is a national organization representing the fur-farming industry of the United States.

To my knowledge, this is the first occasion in which a representative of our industry has ever appeared before your committee. However, the serious condition in which we find our industry today, largely as a result of the importation of raw furs, we feel, justifies reviewing of our case before taking action on the proposed legislation now under consideration.

Fur farming is agriculture's newest industry, having come into existence and importance as a branch of our agricultural economy

during the past 20 years. The average size fur farm is owned and operated as a family unit similar to the small dairy, livestock, poultry, and produce farms, and in a large number of cases, is carried on in connection therewith. Seventy percent of the products used in feeding fur-bearing animals consist of byproducts of the farm, and the most successful fur farmers are those who have had experience, or training, in the field of animal husbandry.

The primary furs being produced on fur farms today consist of silver fox and mink. Several other species of fur-bearing animals are being domestically raised in limited numbers.

In the year 1939, there were approximately 3,000 silver-fox farms scattered throughout the United States which produced 350,000 silver-fox pelts. We regret to state that there are less than 500 farms left in business today with an estimated production for 1949 of less than 50,000 pelts.

Mink farming did not reach a point of importance until the late thirties, and has shown a steady development and growth in both number of farms and production until December 1948 when there were 6,061 farms producing 1,600,000 pelts. We again regret to inform you that during December 1948 and January 1949, over 1,000 mink farmers have been forced to go out of business. A moment's consideration of the following table will point out what has happened and why it has happened more clearly and concisely than prolonged discussion.

Referring to page 2, we find that in 1930 to 1939, the domestic production of silver foxes averaged annually 228,333 pelts, and the price received was $31.65. The cost of production per pelt was $26.60. During that period we had a profit per pelt of $5.50. Imports of silver foxes during that period averaged annually 30,168 pelts, and the percent of imports to domestic production was 13.1. The total annual average value of all imports of furs for that period was $49,533,000.

In the period from 1940 to 1945, total annual domestic production was 230,608 pelts, and the price received per pelt was $36.22, while the cost of production per pelt was $33.05. The profit per pelt in that period was $3.17. The average annual imports of silver foxes during that period were 80,541, and the percent of imports to production was 34.9. The total annual average value of all imports of furs for 1940 to 1945, was $99,556,000.

In 1946 we produced 245,379 silver-fox pelts, the price received was $35.45 per pelt; the cost of production per pelt was $36.16, and the loss per pelt was $0.71, while the imports of all silver-fox furs increased to 85,555, and the total value of all imported furs was $241,556,000.

Mr. CHAIRMAN. That is approximately 7 percent of the total imports into the United States in dollars and cents, in the year 1946, that was heaped upon this one industry.

Senator MILLIKIN. I did not get that. What did you say about 7 percent?

Mr. FRANCIS. This represents approximately 7 percent of the total valuation of all imported goods coming into the United States in 1946.

Senator MILLIKIN. I see.

Mr. FRANCIS. I might state further that out of this $241,556,000 total value of fur imports, practically $70,000,000 came from Russia

alone. They imported $100,000,000 worth of goods to our country, and practically $70,000,000 of it was furs.

Senator MILLIKIN. How much of the $241,556,000 of imports of furs was supplied by Russia?

Mr. FRANCIS. Sixty-nine and a half million, approximately.

As a result of that, we find that in 1947 the price of silver fox pelts dropped from $35.45 to $17.37. Our cost of production was steadily rising to $39.50, and we had a loss of $12.13 per pelt.

As a result of this tremendous shock, pelts imported and produced in this country could not be sold, and our production dropped in 1947 from $253,167 to $125,250, and our cost of production per pelt rose from $39.50 to $40.10, so we had a loss per pelt of $27.04.

In 1949 it is estimated that from the few sales we have made, we will sustain a loss of $27 per pelt on the pelts we produce this year.

I have also some figures at the bottom of the page to show you what effect the imports have had on the excise tax receipts, and you will see that we not only had a large number of imports, but also that with 20 percent excise taxes in effect we had a decline of 24.9 percent between 1946 and 1948.

(The tabulation referred to is as follows:)

United States fur farming industry, silver fox branch

Period	Total domestic production	Price received per pelt	Cost of production per pelt	Profit and loss per pelt	Imports of silver fox	Percent of imports to production	Total value of all imports of furs (thousands of dollars)
1930 to 1939	228,333	$31.65	$26.60	[1] $5.50	30,168	13.1	49,533
1940 to 1945	230,608	36.22	33.05	[1] 3.17	80,541	34.9	99,556
1946	245,379	35.45	36.16	[2] .71	85,555	31.1	241,556
1947	253,167	17.37	39.50	[2] 12.13	67,590	26.4	124,167
1948	125,250	12.96	40.10	[2] 27.04	32,120	25.6	162,775
1949 (estimated)	50,000	12.00	39.00	[2] 27.00			

[1] Profit.
[2] Loss.

[24.9 decline]

	1944	1945	1946	1947	1948
Total excise tax receipts on all furs under 20 percent war rate	$68,814,902.08	$88,775,140.19	$97,491,827.41	$85,326,663.24	$73,140,997.42

Mr. FRANCIS. Now if you will refer, briefly, to the next page, you will see what happened to the mink branch of our industry. This, thank goodness, is a little more healthy. And there is no duty on mink. It is bound on the free list. And if you will notice, we have had an increased production of the mink steadily since 1930 up to 1948.

One primary reason for this, Mr. Chairman, is that they did not have our species of mink in foreign countries, and we were able to jump in after the war and produce mink more rapidly than they. However, if you will consult the chart, you will find that in 1947 the imports increased from 273,000 up to 763,000, and in 1948 it is up to 825,000. As a result of this shock of imports, again, our price has dropped, in 1947, from $18.70 to what we estimate as a $12 average this year, and we will sustain a loss of $6.50 per pelt in 1949.

(The tabulation referred to is as follows:)

Period	Total domestic production	Price received per pelt	Cost of production per pelt	Profit and loss per pelt	Imports of mink pelts	Percent of imports to production	Total value of all imported furs (in thousands of dollars)
1930 to 1939	300,000	11.24	9.10	[1] $2.14	178,986	59.6	49,553
1940 to 1945	475,684	16.09	15.55	[1] .54	396,152	83.2	99,556
1946	1,196,169	28.43	18.42	[1] 10.01	273,386	22.8	241,556
1947	1,525,763	18.70	18.80	[2] .10	763,036	50.0	124,167
1948	1,600,661	17.71	19.00	[2] 1.29	825,634	51.5	162,775
1949 (estimated)	1,250,000	12.00	18.50	[2] 6.50			

[1] Profits.
[2] Loss.

[1946 to 1948, 24.9 percent decline]

	1944	1945	1946	1947	1948
Total excise-tax receipts on all furs under 20-percent war rate, calendar years	$68,814,302.08	$88,775,140.19	$97,491,827.41	$85,326,663.24	$73,140,997.42

Mr. FRANCIS. The State Department, when we have met before various committees, has pointed out that we have increased our mink production while we did not have a duty on them, and while we had a duty on our foxes we were declining in numbers.

I want to emphasize again that the reason for that is that other countries did not have this species of mink in their lands before the war to any great extent. But now they are building up very rapidly, and we are going to follow the same pattern identically as we followed in the silver fox branch of our industry.

Now I would like to continue with my statement.

I recognize the importance of the time of your committee and will avoid any reference being made to the historical background and experiences that have taken place by our industry under the reciprocal-trade program. The records before the various committees of Congress, the Committee on Reciprocity Information and correspondence in the files of the various departments can be consulted in support of our statement and conclusions.

Without further reference to outside material, I would like to quote a short paragraph taken from an article appearing in one of the recent issues of a New York trade paper to verify the latest pressure policies being taken by foreign countries to force their products into our markets.

The following article appeared in Women's Wear Daily on Friday, January 28, 1949:

MINK LEVELS STEADY AT DANISH AUCTIONS—UNITED STATES BUYERS ACTIVE

LONDON, January 27.—First-grade mink brought an average price of 99 Danish kronen for males, and 78 Danish kronen for females, at the fur sale this week concluded in Copenhagen, according to a report by Max Weiss, London representative of Scandanavian Fur Auctions.

Now, keep this in mind:

A good part of the mink will go to the United States via London. Weiss points out that all quoted prices are subject to a compensation rebate of 25 to 30 percent for goods earmarked for export.

I want to digress just a little further, right at this point, Mr. Chairman, and explain to you why the Danish people have brought into existence this pressure to force their goods into the American market. We have state trading in Russia. And I am going to read a short paragraph from a statement by Mr. E. C. Ropes, Chief, Russian Unit, Department of Commerce. This statement was made to a special subcommittee of the Committee on Agriculture of the House of Representatives on April 17, 1947:

Mr. ROPES. In connection with my work there for some twenty-odd years, I have had occasion to study the fur industry not only since the revolution, but also before. The part that is of interest to people here as of the present time is the organization of the fur industry in Russia and the method by which they dispose of the catch abroad, particularly in the United States which is the largest customer for Russian furs.

At the present time the whole matter is in the hands of specific Government agencies, beginning with the fur-trapping cooperatives and ending with the auctions run by the Government twice a year in a special building built a year or two before the war for that purpose.

Mr. GRANGER. Does the Government purchase the fur—the raw fur—from the producer—the Russian Government?

Mr. ROPES. Yes, sir.

Mr. GRANGER. The Government does the purchasing?

Mr. ROPES. Yes, sir; the Government does it. The agency set up for that purpose, which handles both the purchasing, collection, and export, is called the Soyuspushnina, which means the All Union Corporation for Furs—the fur industry, the fur sales, the fur exports, the aggregate in their purview, and fields of activities, all those operations.

Now, when Russia went into the free-trading program and dumped these pelts onto our market, Canada had to put in a subsidy program to protect their furs on our American market.

And I would like to also insert in the record, Mr. Chairman, from these same hearings, the following information, and to mention that the State Department is fully aware of this, and they are supporting it:

The Dominion Government is undertaking to guarantee a minimum price for silver fox pelts, ranging up to $62.50 for the top grade, provided they are delivered by ranches before May 1 of this year, it is learned here today.

Officials of the Canadian National here said their organization had entered into an agreement with Federal Agricultural Minister Gardiner under the Agricultural Products Cooperative Marketing Act. The schedule of prices, providing for minimum payment was made public. It ranged from the $62.50 top for grade A large platinums down to $7 for inferior skins. Top for white marked was $38, and for silvers $30.

Also, in that same hearing, the whole schedule of subsidy payments is listed.

Now, Mr. Chairman, this action on the part of the Danish Government is not a result of trying to compete with the American producer. It is a matter of trying to compete with the actions taken by Russia and Canada to put their pelts on the American market. So in lieu of state trading and in lieu of subsidies by other countries, they have started in to bring about these compensation payments. It is not a matter, as I say, of their trying to compete with us. They know they have us licked. They know we are through, Mr. Chairman. But it is a matter now of fighting for the American market by foreign countries because we have not protected our market.

I want to say further that Norway avoided shipping silver fox pelts into this market this year. They have always done so. But they couldn't compete on the market, because the price has been broken

to such an extent it wasn't profitable. So they bartered with Italy, and under a bartering agreement they have shipped their foxes to Italy.

But we can't send a fox to any other area in the world, primarily because of the fact that they can't afford to pay us dollars. So we are left, as domestic producers, with a barren market, to sit here and suffer it out.

We do not profess to lay at the door of the present foreign-trade policy the entire blame for the precarious situation of our industry, but it is the primary cause, and has increased the burden placed on our industry by other branches of the Government.

For example, enormous imports have made the high-war-rate tax on furs unbearable on all branches of the fur industry as shown by the 25-percent drop in revenue collected on furs during the last year from those collected in 1946. The result to the producer is inevitable, we cannot stay in business with both the laws of supply and demand working against us. Further impact on the domestic producer of furs is caused by the Marshall program. Large amounts of domestic products, such as horse meat, low-grade cereals and meat protein byproducts, normally used for feed of fur-bearing animals, are being purchased and shipped abroad in large quantities, thus forcing our cost of production above even the normal or average of other inflated prices. Furthermore, actual grants of money have been made out of European recovery program funds to help rehabilitate the fur-farming industry in Europe.

If viewed separately, each one of these programs has their merit. We believe the essential needs of human beings should supersede all others. We know there must be taxes, but not such unreasonable and exorbitant ones that are now in existence, and that, within reason and fairness, foreign countries should be allowed, even encouraged, to earn their dollars, rather than being handed them. But without regard or consideration to hardships heaped upon industry by other branches of Government, each department insists on its own extreme programs regardless of the effects or consequences upon other programs of Government that have been loaded on our industry.

Let there be no doubt in your mind that the various departments of Government are fully aware of conditions that exist in our industry. When it was clearly evident what was happening to our industry, the House Agriculture Subcommittee on Furs held hearings during 1947, to see what could be done to check the rapid liquidation that was then starting to take place. Representatives from the various departments were present. The State Department says our trouble is not imports, but taxes. The Treasury says it is not taxes but imports. The Department of Agriculture says it is both taxes and imports, but not cost of production.

The net results of our constant appeals being that last year Congress had to pass legislation authorizing emergency loans to be made through the regional agricultural credit corporation to fur farmers to preserve their foundation breeding stock so as to avoid complete liquidation. It is not enough to humble an industry to the point where it has to come to Government to borrow money in order to exist under the mistakes of Government, but unless immediate corrections are made, Government will be literally in the fur farming business or else we

will be completely wiped out as being an illegitimate industry under the present pattern of Government policies, notwithstanding the fact that the production of fur is America's first and oldest industry.

It is exasperating to see Congress struggle with the problem of what to do with surplus agricultural products to prevent a collapse of our agricultural economy, and at the same time, wipe out new agricultural industries. Diversification of our productive agricultural resources is the only sane and permanent cure for overproduction and unemployment. Instead of making it more difficult for the development of new industries by lowering duties and binding articles on the free list, we should be encouraging and protecting new small industries.

I hope we will not be too late in recognizing the fact that our largest export items are being produced under the most extraordinary protection in the way of patents and trade-marks. If they even desired to do so, is there anyone who could produce a General Electric, General Motors, or a du Pont product? If it were possible for Government to patent the process of reproducing silver fox or mink, we would not be here today pleading for your consideration of our problem in the interest of thousands of farmers and their families. Instead, there would be one large corporation producing all the fox and mink pelts, and to further reduce competition from foreign countries, we would have followed the present pattern of other exporters and moved our resources onto foreign soil and taken advantage of their lower cost of production, regardless of its effect on our domestic ecnoomy.

But for the sake of humanity, it is a godsend that we cannot patent the processes of nature, and as a result, we have thousands of small farms, owned and operated on a free competitive basis, giving to the American consumer the benefits of competitive enterprise. It is small business—the backbone of our country—that the reciprocal trade program has made to bear the bruises and shock from foreign competition.

I do not want to dwell on this matter, but it is a vital problem directly related to the legislation before us. In passing, I want to commend the gentlemen from the South, some of whom are members of this committee, for their foresight in providing the cotton and tobacco farmers with substantial protection. Had they not done so, no one can estimate the critical situation the cotton and tobacco producers would have been in today. I do not draw this matter to your attention in way of criticism, though it was done while the reciprocal trades program has been in effect, and contrary to its general policy and principals, though with a small degree of envy, I must support your actions knowing it was the right thing to do.

It is not necessary to rehash the many reasons set forth for and against the passage of H. R. 1211, but I desire to sum up briefly and directly the position of the fur farming industry on this bill.

In our opinion, there has not been a suitable or justifiable explanation given why the bill should date back to June 12, 1948. In the absence of any material benefits, it only stimulates the question as to its political motives, and develops a lack of faith in the democratic process of government to stand by its decisions. In view of these premises, to the searchers of truth and right, it can only belittle those who propose and support it. Rescinding any action cannot bury the

truth it produced. We suggest, in the interest of good government and good faith, that on page 2, line 2, that "1949" be inserted in lieu of "1948."

We fail to see any appreciable disadvantage in a shorter extension of the program but, to the contrary, feel that a frequent review by Congress of our trade problems is essential and healthy. It is unsound if not dangerous business to bind our country to long-term trade pacts, or for Congress to delegate its powers to administrative branches for long terms under present world conditions. It is inconsistent to vote on one day to tie the hands of Congress for 2 years to a definite trade policy and the next day vote billions to prepare against war and other billions for grants to aid sick and weary nations, not knowing what the results will be, either at home or abroad.

We just must take issue with the State Department that 3-year extensions are essential in establishing confidence in other nations as to our intentions in carrying out trade policies.

Does not it appear in the minds of this committee that there is some justification for certain countries, or all countries for that matter, being suspicious of our actions when we send our representatives into foreign countries with virtually unlimited power to negotiate long-term trade pacts when the evidence substantiates the fact that lowering the trade barriers has not been the determining factor in the agreements, but the influence and pressures of our generous monetary assistance in one hand and our military strength in the other.

However good our intentions may be, we must recognize the positions of those with whom we deal. Weakened countries cannot escape being influenced in their negotiations by the pressure of these programs. Long tenures for either party is not healthy or wise, and can only exaggerate the position that unfriendly countries have taken that we are pressuring countries into accepting our policies and way of life by holding a pot of gold in one hand and a gun in the other.

Mr. Chairman, I want to insert right here that this suggestion arose at our international conference on Prince Edward Island last year. This suggestion did not come from ourselves but from foreign countries.

In view of the position of our industry being liquidated as a direct and positive result of the actions of our Government, and in the face of not knowing what may happen from day to day on the international front, 3-year extension periods are too long to tie up our country under any trade pact which virtually hamstrings the power of Congress to act.

We have thoroughly examined the reasons for supporting the proposal to limit the Tariff Commission's power and find them too shallow to justify reducing this impartial congressional fact-finding body from its present position as a safeguard to domestic industry to a side-line observer. If facts, and not policy, should be the determining factor in making decisions, we should concern ourselves with securing more of them. We are drunk and groggy from the processes being used in order to justify subordination of plain simple facts for policy and expediencies in determining the course we should follow.

And right here I would like to insert a statement made by Mr. Brown, of the State Department, in relation to a question asked in our subcommittee hearings in the House.

The colloquy is between Mr. Brown and Congressman MURRAY, of Wisconsin:

Mr. MURRAY. If action were taken to limit the import of furs from Russia, do you suppose that that would further strain our relations that are evidently more or less strained today?

Mr. BROWN. I think, Mr. Chairman, that any action which is directed against a country by singling it out and limiting its exports to the United States would be regarded by that country as a very unfriendly act, and that it would have most undesirable repercussions, perhaps quite out of proportion to the actual amount of trade involved. I think it would be regarded as a matter of principle and as expressing a general, unfriendly attitude which might, and probably would, have a very undesirable effect.

I suggest there, Mr. Chairman, that without the peril point, without the present position of the tariff in the reciprocal-trade program, we are being bartered away on policies, regardless of the plain simple facts as to whether the industry has been in a peril position or not. And if I had the time, I would like further to continue these discussions, to show you that in lieu of our present law, they suggest that we enter into a subsidy program, in order that there can be further barter on a basis of policy regardless of the effects on our industry.

We favor continuing the reciprocal-trade program in its present form for 1 year, with the request that under a joint committee, consisting of members of the Senate Finance Committee and the Ways and Means Committee of the House, hearings be conducted solely for the purpose of exploring new avenues and ideas in the field of international trade policies. Many industries are holding international conferences. It is surprising the many new ideas that have come forth from our small industry as a result of our international conferences.

Unfortunately, in these hearings our thinking and efforts are tied down to the legislation before us. There never seems to be any time to consider new approaches. We have been kept static for 18 years; its either tariffs or trade agreements—nothing in between. Administration proposes certain legislation, Members of Congress introduce it, and the public appears for or against it. If the truth were known, very few industries are satisfied with what we have, or want to revert back to the program of the twenties, but feel forced to make a choice between the two, or none at all.

We do not offer this suggestion in a critical manner, but as a recommendation toward bringing about a more adequate and unified agreement among all industries and countries in relation to international trade problems.

With your permission, Mr. Chairman, I would like to state just one additonal factor.

A gentleman brought out the idea of cartels. I want to say this: That our investigation into this program in the way of its breeding or developing international cartels has proven to us conclusively that the free trade program is bringing into existence a lot of international trade in cartels. And I want to tell you plainly, and be frank with you, that in our conference at Oslo this summer, while you may be in Geneva negotiating agreements, we are bound to give some consideration along with Canada and with Norway to see if we can't work out some agreement with those countries on a bartering basis, or a cartel basis, to overcome or compete with the state trading of Russia and this compensating action that the Danish people are taking. That is

the only means we have of survival unless you, the Congress of the United States, see fit to review, reconsider, and revise the present policies that are now in effect. You leave us no other choice. We must consider it.

The CHAIRMAN. We appreciate your statement very much, and we have been very glad to hear you.

I would like to point out what you have already recognized: That state trading, the subsidy programs which aid importations of these competing fur products into this country, are a very serious draw-back to your industry, beyond all doubt. I think possibly they have done you as much harm as the reciprocal trade agreements, or more.

Also, you will see, I think, that beginning last year, early last year, and continuing down to the present time, many of the so-called luxury lines have been hard hit. And I do not mean to say that you are engaged in a luxury business entirely.

Mr. FRANCIS. Thank you, sir.

The CHAIRMAN. But many of those so-called luxury lines have been hard hit, and will be harder hit as you have the change-over in the general economy. That is just unavoidable.

Mr. FRANCIS. I agree with you, Mr. Chairman, but I surely think it has been exaggerated, and could have been alleviated a lot if we had recognized the situation, and the State Department had recognized it, and had given us a larger amount of protection from the tremendous imports that have been heaped on our country.

I can understand, as I have stated in the statement, that we should let foreign countries earn their dollars as much as possible. But we only have two furs that we are producing on these fur farms to any large extent, out of the some thirty-odd species of furs that are coming in. And the only fur that has a duty on it, of all the raw furs coming into the country, is the silver fox fur.

The CHAIRMAN. That duty was originally what?

Mr. FRANCIS. Fifty percent.

The CHAIRMAN. And it was cut to what?

Mr. FRANCIS. Thirty-seven and a half percent.

The CHAIRMAN. Thirty-seven and a half percent, with Canada? Was that in the Canadian agreement?

Mr. FRANCIS. Yes. And it applied to all countries.

The CHAIRMAN. Yes; it has universal application, general application, but it was made with Canada.

Now, the others that you have referred to are all bound under the free list?

Mr. FRANCIS. That is right.

The CHAIRMAN. To all countries?

Mr. FRANCIS. That is right.

The CHAIRMAN. Mr. Francis, I believe Senator Millikin has a few questions.

We will put in the record at this point a statement from the United States Tariff Commission showing the production, domestic exports, and the imports of silver or black fox furs, dressed or undressed.

Are silver and black fox furs identical, Mr. Francis?

Mr. FRANCIS. That is correct, sir.

The CHAIRMAN. I just wanted to know. This is not particularly in conflict with your statement, but I will put that in as additional information.

(The material referred to is as follows:)

Silver or black fox furs, dressed or undressed: United States production, exports, and imports, in specified years, 1929–48

Year	Quantity (thousands of pelts)			Year	Quantity (thousands of pelts)		
	Production [1]	Domestic exports	Imports for consumption [2]		Production [1]	Domestic exports	Imports for consumption [2]
1929	70	([3])	1	1941	250	5	95
1931	110	([3])	2	1943	190	4	100
1933	150	([3])	2	1945	240	13	70
1935	185	([3])	1	1946 [4]	250	10	59
1937	275	9	26	1947 [4]	255	9	62
1938	300	5	16	1948 [4]	200	31	32
1939	350	5	133				
1940	255	4	76				

Year	Value (thousands of dollars)			Year	Value (thousands of dollars)		
	Production [1]	Domestic exports	Foreign value		Production [1]	Domestic exports	Foreign value
1929	([3])	([3])	81	1940	6,900	66	1,402
1931	([3])	([3])	66	1941	8,000	121	1,883
1933	([3])	([3])	62	1943	8,700	114	2,647
1935	7,900	([3])	45	1945	7,400	333	2,656
1937	9,100	201	1,088	1946 [4]	6,300	270	2,539
1938	9,300	127	463	1947 [4]	4,300	152	1,193
1939	8,400	86	2,468	1948 [4]	([3])	441	501

[1] Estimated by National Board of Fur Farm Organizations.
[2] Beginning in 1940, data on value include the value of tails, paws, heads, or other separate parts, for which no comparable units of quantity are reported in the import statistics. These tails, paws, etc., account for a very small portion of the total value shown.
[3] Not available.
[4] Preliminary.

The CHAIRMAN. All right, Senator Millikin.

I asked Mr. Francis a few questions, and I told him that you wanted to put some questions to him.

Senator MILLIKIN. I would like to congratulate you on an excellent statement, from my slant, my personal slant.

Mr. FRANCIS. Thank you, sir.

Senator MILLIKIN. What efforts have the fur industry made to get relief by way of escape or by other approaches to the State Department or to the President?

Mr. FRANCIS. Senator, we first appeared before the Committee on Reciprocity Information.

Senator MILLIKIN. When was that?

Mr. FRANCIS. That was in 1946; also, again, in 1947. We had two hearings; one just before the Geneva Conference.

Senator MILLIKIN. Agreements were then in the offing that would affect the fur business?

Mr. FRANCIS. That is right, sir.

Senator MILLIKIN. And you appeared before the Trade Agreements Committee?

Mr. FRANCIS. That is right, sir.

Senator MILLIKIN. And that was in 1946?

Mr. FRANCIS. That is right.

Senator MILLIKIN. Then, what else has happened?

Mr. FRANCIS. Then, in 1947, we had the House Agriculture Subcommittee hearings. It was a hearing to find out what was the trouble with our industry and to make certain recommendations. And it is on the record of the committee and the committee report, as to their recommendations, and the recommendations there were that the import situation was one of our troubles, or lack of protection, against imports.

We have also appealed to the Tariff Commission in letters, and appealed to the President under the escape-clause provision for relief in the matter, and we have not had any reply, or heard of any efforts being made whatsoever.

Senator MILLIKIN. You wrote to the President?

Mr. FRANCIS. Yes, sir.

Senator MILLIKIN. Your association wrote to him?

Mr. FRANCIS. Our association wrote to the President.

Senator MILLIKIN. When was that?

Mr. FRANCIS. That was early last year.

Senator MILLIKIN. And nothing has happened?

Mr. FRANCIS. Nothing has happened.

Senator MILLIKIN. What did you hear from the President's office?

Mr. FRANCIS. He referred our letter to the State Department for reply, and the State Department said that mink had been on the free list for 50 years, and they had bound them duty-free at Geneva, and as a result it would be in their opinion a wrong thing to renegotiate those treaties, and that in the case of silver foxes, they thought our duty was high enough, and that was not primarily the reason for the difficulties of the silver-fox industry today; that it was excise taxes, and that our fur was out of fashion.

That is it, summing it up, Senator. I unfortunately didn't bring from my home in Utah the letter, but I would be glad to submit it to the chairman or to you for further review if you would like it.

Senator MILLIKIN. I would think it would be very interesting to have that in the record.

The CHAIRMAN. You may furnish it, and we would be very glad to incorporate it.

Mr. FRANCIS. I will do that, sir.

(The letter referred to above will be printed in pt. II of the hearings.)

Mr. FRANCIS. Quite recently we had 50 GI's in your State, Senator Millikin, who were interested in the fur-farming industry, and they appealed directly to the President. I also have a copy of their letter and the reply.

Senator MILLIKIN. What was the reply?

Mr. FRANCIS. The reply was in the main the same as in the other letter.

Senator MILLIKIN. It was referred to the State Department? Have they had an answer from the State Department?

Mr. FRANCIS. They have.

Senator MILLIKIN. What was the State Department's answer?

Mr. FRANCIS. The State Department's answer was practically the same, that it was not a result of the importations, but it was a result of the fact that our furs had gone out of fashion, and that taxes were hurting our condition; and other similar reasons were given, anything other than that the imports were affecting us.

Senator MILLIKIN. How late has your organization brought the recent import figures to the attention of either President or the State Department?

Mr. FRANCIS. I don't think we have brought it in recently, sir. The State Department and the Treasury Department were at these hearings in 1947, and the Commerce Department as well. And they are on record before committees in both the House and the Senate. We brought the records in at that time; but not directly to the State Department.

Senator MILLIKIN. In 1946 you brought to the attention of the State Department the enormous increase in the total value of silver fox imports?

Mr. FRANCIS. Yes.

Senator MILLIKIN. And at that time you also brought to their attention the enormous increase in mink importation.

Mr. FRANCIS. I think they are fully aware of all these figures. There is no question in my mind, Senator, that they are fully aware of all these facts. They have been at the hearings. We have been in constant touch with them. And there have been letters and correspondence, and the Tariff Commission has these figures, and the committees of Congress have these figures. They are fully aware of all these facts and conditions.

Senator MILLIKIN. The Tariff Commission is certainly aware of the situation, because I have here a tabulation from the United States Tariff Commission down as late as 1948.

The CHAIRMAN. I put that in the record, Senator.

Senator MILLIKIN. That shows that they are aware of the situation.

Will your furs be affected by the reciprocal trade agreements which they propose to enter into in France in the near future?

Mr. FRANCIS. We can't see any appreciable effect that any negotiation with France will have, as they are not a large fur producer, as far as raw furs are concerned. They may do a limited amount of manufacturing, but very little at the present time.

Senator MILLIKIN. Have you taken formal steps before the Tariff Commission to invoke the escape clause?

Mr. FRANCIS. From the discussions here, in the course of the consideration of this program, I find that maybe we have erred. We should have gone through the procedure of the Tariff Commission and then gone to the President. I assure you, Senator, that we expect to do that immediately. And we will keep you properly advised, you and this committee, as to the results that we receive and the replies. Because up to now our experience has been that we don't think there is a chance to get any relief whatsoever.

Senator MILLIKIN. But you have brought your situation, one way or another, as an organization and through individual groups of fur farmers, to the attention of the President and to the attention of the Department of State, and to the attention of the Interdepartmental Committee, in various hearings.

Mr. FRANCIS. That is right, sir.

Senator MILLIKIN. It cannot be said, can it, in any fairness, that the Interdepartmental Committee or the President or the Tariff Commission, or any of the agencies have been ignorant of this situation?

Mr. FRANCIS. They surely are not ignorant of it.

Senator MILLIKIN. And I just make my own observation: Whether you proceeded with technical accuracy or not, it would have been very easy for someone to channel the thing into the proper channels. The President can act without any recommendation by anybody. He does not have to have a recommendation from the Tariff Commission in order to invoke an escape. And the Department of State does not have to have a recommendation in order to start the machinery going for an escape.

Mr. FRANCIS. I might say here that in regard to the escape clause I know there has been a lot stated about it, and how we can get relief from the escape clause. I believe we have tried, even though we have not been technically right.

But on the tax end, we find on the excise taxes they don't feel they want to do anything about that, because the President says "We need more taxes instead of less taxes." So maybe we will have to get to a point where we will have to write an escape clause into the tax laws.

Senator MILLIKIN. Maybe we will have to have an escape from the President. We will have to wait a while for that, however.

Mr. FRANCIS. Well, maybe we can get a little consolation. Perhaps they will have some kind of social security they can put us on.

Senator MILLIKIN. With reference to this Danish compensation rebate, how does that work?

Mr. FRANCIS. As I understand it, you purchase mink in Denmark at, say, $10 per pelt, as bid on the auction, and you pay $10, and if you give a certificate of export, or produce your certificate of export that you exported that mink pelt to the United States, the Government will rebate you 33½ percent.

The CHAIRMAN. The Danish Government?

Mr. FRANCIS. The Danish Government.

Senator MILLIKIN. Thirty-three and a half percent of what?

Mr. FRANCIS. Of the price you pay.

Senator MILLIKIN. And that, you say, is a compensating action against the state-controlled fur business of Russia and the subsidy program of Canada; is that right?

Mr. FRANCIS. That is right, sir.

Senator MILLIKIN. Is there any subsidy for the American fur farmer?

Mr. FRANCIS. We have loans that we have to pay back. Or else the Government will be in the business.

Senator MILLIKIN. Now, coming to those loans: Roughly speaking, is it not true that through the operations of the factors that you have mentioned the fur business has now become so impoverished that it is impossible, roughly speaking, to make any considerable number of loans to fur farmers?

Mr. FRANCIS. That is substantially right: That out of the $4,000,000 that Congress provided for loans to fur farmers, according to the last report I received from the Farm Credit Administration, they had used $250,000, and the industry, under the terms set up by Congress, was in such a deplorable condition that they couldn't even meet emergency loan terms. In the loan program it provides that reasonable repayment must be a part of the loan; that is, they can't lend us the money unless the Department of Agriculture feels it reasonably sound and that it will be repaid.

Senator MILLIKIN. Has this not happened: That as the situation in the fur industry has worsened, the fur farmer has gone first to his bank and made a loan when he could, and has had to put up practically everything he had as collateral for that loan, and as the situation continues to worsen, he then tries to get a loan from the Federal Government, and the banker will not subordinate his collateral to the Federal Government, with the result that the prior loan probably goes out on foreclosure, with no relief from the Government? Is that not about the way it works?

Mr. FRANCIS. That is exactly right, sir. That is why we have lost so many farmers. That is why they have gone out of business.

This is not guesswork, gentlemen. We have statistical information just completed. And 1,000 mink farmers in December and January have liquidated their mink farms.

Senator MILLIKIN. We use these nice words like "liquidated." That means that there has probably been a foreclosure of their assets, not only in the fur business, but maybe collateral assets in other branches of farming; is that right?

Mr. FRANCIS. That is right; not only that, but their homes, their cars. That all goes in. It is a personal liability loan, that takes in all of it, Senator. It is not just on their animals, not only on just their pens, but on their homes and their sheds, and their land and their equipment, and even on their life insurance if they can get coverage on that.

Senator MILLIKIN. This story that you are telling me is not unfamiliar to me. We have a lot of fur farmers in Colorado, and I have been through the whole vicious circle.

Now, what are the principal countries that export furs into this country?

Mr. FRANCIS. Russia and Canada, Norway and Sweden, are the principal import countries, the countries we receive furs from.

Senator MILLIKIN. And what trade agreements were made subsequent to the time that you brought your condition to the attention of the Federal authorities?

Mr. FRANCIS. We brought our condition at the time to the Committee on Reciprocity Information. We could see in 1946 and earlier, back in 1945, the situation. I may say, Senator, that in 1946 there were hearings about a quota limitation that the Government set on silver foxes, of 100,000, which was not really a quota, because they never really reached 100,000 imports except in 1949, and they came in before the quota was put on. And they were requested to take the quota off. We objected and stated very emphatically that it should be lowered, and we showed them what was going to happen and what would happen to our industry if they didn't lower it.

Senator MILLIKIN. The Geneva agreements succeeded your showing along that line. Is that right?

Mr. FRANCIS. That is right.

Senator MILLIKIN. The Geneva agreements were made after that.

Mr. FRANCIS. That is true.

Senator MILLIKIN. What agreements were made at Geneva that affected the fur industry? With what countries?

Mr. FRANCIS. The agreements that were made at Geneva, that primarily affected us, did not change the 37½ percent duty on foxes, but they bound mink duty-free, which would not allow Congress even,

unless we had a breach with other countries, to step in and do anything about duty.

Senator MILLIKIN. With what countries did they do the dealing on that?

Mr. FRANCIS. I am not sure, sir, with what countries they did the dealing.

Senator MILLIKIN. But in any event, what they did at Geneva becomes a generalized benefit for all foreign countries; is that right?

Mr. FRANCIS. That is correct, sir.

Senator MILLIKIN. At the present time, have you gotten any glimmer of hope of any kind from either the President or the State Department or anybody else in the executive department who has been working on this subject?

Mr. FRANCIS. No; on the contrary, they want to do away with any provision in the law that would give us a little inkling of help and protection, under the peril point.

Senator MILLIKIN. Is this not true: That with this open bung of imports, furs from foreign countries, almost any other remedy that you take would still empty your barrel?

Mr. FRANCIS. We most certainly can't compete with all nations of the world that are desiring dollars and shipping all their furs into this market; I don't care what type of protection you give, other than ultimately buying our industry or setting up a subsidy and giving us money. I don't know how you can keep us in business to a point where we can take this tremendous shock.

Senator MILLIKIN. Let me put it to you this way: Even if we wiped out the excise tax, even if we wiped it out, would you not still have the same importing problem?

Mr. FRANCIS. We would still have the same importing problem.

Senator MILLIKIN. And is that a problem that could be met even if the excise tax were completely wiped out?

Mr. FRANCIS. No; I don't think, even if the excise tax could be wiped out we could meet the problem. But I don't want to take the position before you here that it wouldn't help.

Senator MILLIKIN. I understand it would be a helpful factor. But nevertheless, after you got all through you would still have this flood of imports.

Mr. FRANCIS. Correct.

Senator MILLIKIN. And under the statistics which you presented, I think it is perfectly obvious that they would continue to embarrass your business. In the meantime, most of your business is gone, as a result of the facts which you have presented here.

Mr. FRANCIS. That ist rue, Senator; very true. As I stated here, we are looking for new agricultural industries.

Senator MILLIKIN. You understand that the purpose of repealing the present law, rather than extending the present law with amendments, is to get away from the peril point theory.

Mr. FRANCIS. I am very aware of that, sir.

Senator MILLIKIN. And to get away from it from the beginning.

Mr. FRANCIS. That is correct, sir.

Senator MILLIKIN. You understand that on March 4 the Tariff Commission will submit its peril points.

Mr. FRANCIS. I understand that.

Senator MILLIKIN. And that the strategy is to get this law repealed, so that the Tariff Commission will not have to submit its peril points, and thus avaid embarrassment to those who do not believe there should be peril points.

Mr. FRANCIS. I understand the strategy being used. I am not in favor of such strategy. I think it is a reflection on the Congress to do such a thing. I think we shouldn't be embarrassed by truth. And I think if we have gone to the expense we have to investigate the matter and prepare these reports, in good faith we should let them be submitted in the manner in which Congress passed the reciprocal trade program last year in fairness and good faith to all concerned.

Senator MILLIKIN. I notice that you favor a 1-year extension of the reciprocal trade program. Do you see any jeopardy of any kind in that to any American industry?

Mr. FRANCIS. No; I do not. I think it is an advantage to American industry today, under our complex world conditions, as I pointed out, Senator, that this request or suggestion has not come of ourselves, but from foreign countries, that they cannot negotiate in good faith while they are under the tremendous impact and influence of our Marshall program, and our armament or military program.

Senator MILLIKIN. You develop that we are actually supplying the money to enable foreign countries to grant bounties to their own fur producers to aid their imports into this country. Is that right?

Mr. FRANCIS. That is substantially right. To a point where we are embarrassing them with it.

Senator MILLIKIN. You are already sufficiently embarrassed. I am talking about the fur industry. And I would not want to add anything to that.

The CHAIRMAN. We thank you very much for your statement, sir.

Mr. FRANCIS. Thank you, Senator.

The CHAIRMAN. Mr. Charles E. Jackson.

Mr. JACKSON. I believe that you are with the National Fisheries Institute. Is that right?

STATEMENT OF CHARLES E. JACKSON, GENERAL MANAGER, NATIONAL FISHERIES INSTITUTE, INC., WASHINGTON, D. C.

Mr. JACKSON. Yes, sir.

The CHAIRMAN. And it has been arranged that you will give your direction to this part of the hearing.

Mr. JACKSON. I think that would be agreeable to the witnesses.

The CHAIRMAN. Do you wish to make a statement at this time?

Mr. JACKSON. Yes; I wish to make a short introductory statement.

The CHAIRMAN. You may proceed.

Mr. JACKSON. I have already stated my name and my connection.

Our organization is composed of producers—companies who own and operate fishing vessels—processors, canners, and distributors, including brokers, and other units of the commercial fishing industry concerned in what is termed the "management" end of the fishing industry. It is the only national trade organization representing all segments of the fishing industry between the fisherman and the retailer. It is a nonprofit organization.

I was one of a great number of witnesses appearing before the Fisheries Subcommittee of the House Committee on Merchant Marine and Fisheries Tuesday and Wednesday of last week. In order to present our case as briefly and intelligently as possible, more than 50 representatives of management and labor, including both A. F. of L. and CIO affiliates, met together in an all-day industry-wide meeting the Sunday preceding, at the Mayflower Hotel. I think this was the first time in history that fishing management and labor joined together in a mutual endeavor to tell Congress how serious are the problems confronting our industry.

We are seeking relief from a situation that we believe no industry can survive. Unrestricted imports of fish and fishery products are pouring into the United States. We have charts to show you that imports of fresh and frozen fillets from foreign countries have increased nearly six times in the short space of 10 years. Meanwhile, our exports of canned fish are seriously declining. We believe no business can survive unrestricted imports and a serious loss of its export market at one and the same time. Canned fish formerly exported must now compete with fresh and frozen fish for our domestic market, while at the same time there is no effective limit on imports of fresh and frozen fillets produced by foreign nations at a fraction of our costs.

Meanwhile, the world seems to be going fishing; that in itself would not be so bad were it not for the fact that all the world appears to be looking to the United States market for the export of its fishery products. Some nations pursue the policy of keeping at home for the use of their own people the less costly species but exporting the more expensive products to the United States. In most cases the fishing industry of the United States is already producing these species, and often the United States is in fact the only market in the world for this particular class of products.

Let it be understood that the fishing industry is not asking its Government to abandon the principle of reciprocal trade agreements; that we are not asking that all foreign fish and fish products be barred from our country; but we do ask for reasonable limitations or restrictions on imports.

When I say "we," I am speaking not only of the producer and processor members of the organization I represent, but the distributor members who have agreed to support the producers and processors in asking for an import quota of 43,000,000 pounds of fresh and frozen groundfish fillets. This represents the third highest import figure in the history of our Nation. No one can say this is an unreasonable request.

A 43,000,000-pound quota is 4½ times greater than the import figure of just 10 years ago. Furthermore, this is a product originated by the United States fishing industry to promote its own industry. It is a product developed on our own initiative for our own markets. But other nations have adopted this product and are now attempting to flood our markets.

Senator MILLIKIN. What product are you referring to? Are you referring to the fillets?

Mr. JACKSON. I am talking about frozen groundfish fillets.

Senator MILLIKIN. We have invented that process here?

Mr. JACKSON. Yes.

Senator MILLIKIN. All right.

Mr. JACKSON. Most nations are not capable of using frozen fillets for the reason they do not have adequate refrigeration facilities throughout their nations to permit the distribution of frozen products. Consequently, the principal market for fish fillets is in the United States, and many countries are seeking our market. Imports are steadily increasing from Canada, Newfoundland, and Iceland. Norway and Denmark are bidding for our markets, as are Holland, Sweden, and South Africa and many other nations.

Since the committee members may not be familiar with our industry, perhaps a few words on the size, importance, and extent of the fishing industry of the United States may be helpful.

The annual catch of fish and shellfish in the United States and Alaska averages about 4½ billion pounds, which, incidentally, is the second largest catch in the world, of which approximately two-thirds is used for food and the remaining one-third is used for poultry and cattle feeding and other agricultural and industrial uses, including essential vitamin and amino-acid drugs, paints and oils, and hundreds of other byproducts.

The value of the catch to the fishermen in 1948 totaled about $325,000,000. When frozen, canned, smoked, pickled and processed in its many forms for food and manufactured into agricultural and industrial uses, the end products retailed in 1948 for more than $1,000,000,000. This places fishing high up on the list of big American industries.

The number of fishermen employed is about 150,000; the number of shore workers is more than 100,000; while indirect employment in allied industry, such as gear manufacture, boat building, etc., numbers more than 300,000 persons; a total employment of at least 550,000 people.

At this point I would like to refer to Mr. Ruttenberg's statement here yesterday. Mr. Ruttenberg was the CIO witness. He said:

> 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."

Then he points out that—

> 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.

Fishing is one that he mentions, and it is certainly affected by imports, and since the term "American workers" must include all workers, it seems to me that 550,000 workers is a rather substantial amount. The total number of workers in industries threatened by foreign imports is indeed quite large. Mr. Ruttenberg's statement surprises me, particularly since his organization represents a large number of fishermen and shoreworkers.

Employed in catching fish and shellfish are about 8,000 vessels of five net tons and over; 40,000 motorboats of various kinds; and an additional 35,000 small craft such as scows, rowboats, et cetera.

There are between three and four thousand fishery shore establishments in the United States and Alaska.

The per capita consumption of fish in the United States in 1948 was about 11 pounds in edible weight.

There are only two sources of food: land and water. Because of our vast land resources, few of our people appreciate the importance of America's fishing industry. It has always been an independent industry. In most cases it is a business handed down from father to son, generation after generation. Our industry has never sought subsidies, but we do not see how long we can compete with nations whose fisheries are in most cases subsidized; subsidized not only by their own governments, but frequently by the United States Government through lend-lease during the war, and now through ECA, as well as through loans from various United States governmental agencies.

Senator BYRD. Mr. Jackson, may I amplify that statement? Do I understand that the foreign fisheries were directly subsidized by lease-lend during the war?

Mr. JACKSON. Yes, Senator; I think we can show that Russia had a great number of fishing vessels, the most modern in the world, which were rebuilt on our west coast in the midst of the war and toward the end of the war. The late Congressman Fred Bradley of Michigan, chairman of the House Committee on Merchant Marine and Fisheries procured reports from the State Department showing that approximately $22,000,000 was spent on reconstructing vessels for the Russian Government's fishing fleet. At the end of the war Russia thus possessed the most modern fishing ships in the world.

Senator BYRD. They were donated to Russia?

Mr. JACKSON. They were obtained through lend-lease, and I don't know whether they have been paid for or not.

Senator BYRD. In regard to ECA, how does the ECA subsidize foreign fisheries?

Mr. JACKSON. Well, I would have to say "indirectly," in that they are purchasing fish, for instance, from Newfoundland and Canada. We have not been able to get hardly any purchases for the United States product. And then, of course, in establishing business in Europe, they have established fishing plants and appropriated money for the purchase of fishing vessels. One of the other witnesses will give you a specific instance where an ECA allocation has been made to Iceland, and that country is giving the American fishing industry some very stiff competition.

Senator BYRD. What about the loans that are made through various United States Government agencies?

Mr. JACKSON. I don't know how to answer that question, Senator, except that some of our loans and grants for the purchase of machinery almost certainly end up in fishing vessels and plants. I don't know how we could show it specifically. But we have charts to show you that other governments are subsidizing their fishing industries to a large extent.

Senator BYRD. I would be very much interested if you would elaborate on that with specific instances, and put them in the record.

Mr. JACKSON. We would be very glad to do the best we can. But we have difficulty getting information on this subject from Government agencies.

The fishing industry forms a very important part in the economic life of America during peace and has proven to be vital in every war America has fought. We do not believe America can afford to sacrifice its fishing industry.

Mr. Chairman, at this point, I would like to ask permission to insert statements by export witnesses, who, to save the time of the committee, will not appear. But I told them I was sure the committee would be glad to put their short statements in the record.

The CHAIRMAN. Export witnesses?

Mr. JACKSON. Yes, sir; witnesses to discuss the export phase of the fishing problem, our loss of export markets, and so forth.

The CHAIRMAN. Our loss of export markets.

Mr. JACKSON. Yes, sir.

The CHAIRMAN. If you will hand them to me, I will give them to the reporter so that they may be placed in the record. We will be glad to put them in.

(The statements referred to are as follows:)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington 25, D. C., March 10, 1947.

Mr. CHESTER T. LANE,
Administrator, Lend-Lease, Office of Foreign Liquidation,
Department of State, Washington, D. C.

DEAR MR. LANE: I acknowledge with thanks your letter of March 6 with enclosure.

I have read carefully your "Statement on wartime repair and conversion work under lend-lease on vessels of the Soviet fishing fleet", and note that "a total of three Soviet-owned cargo vessels were * * * and converted by the United States Government into canneries under lend-lease". Apparently this three is the number of Russian fishery vessels that were rebuilt in American shipyards.

I would like to have the names of these three vessels and the shipyards where they were converted. I have information of a magazine article contained in the Pacific Marine Review of September 1945 which specifically named more than three Russian vessels that were converted into cannery ships, cannery tenders or refrigerator ships, all to engage in fisheries work.

The article refers to conversion work that took place in the Hurley Marine Works, Oakland, Calif. In this one yard, according to the article, major repairs or complete conversions were made on some 40 Russian vessels. Among the 40 were: *Chernyshevski, Menjinski, Krabolov No. 2, Chapaev, Koryak, Refrigerator No. 1, Refrigerator No. 2, Pischevya Industria, Lieutenant Schmidt, Khabarovsk, Tanker No. 1, Pravda, Leningrad, Karl Liebnecht, Lafayette, Transbalt.*

The *Chernyshevski, Menjinski, Krabolov No. 2, Chapaev, Refrigerator No. 1, Refrigerator No. 2,* and *Pischevya Industria* were definitely converted into ships utilized by the Russian fisheries in some manner. These were converted in a single shipyard on the west coast. I have had many reports that similar Russian vessels were converted into cannery, cannery tender or refrigerator ships for Russia's fishing industry in shipyards in the vicinity of Seattle; Portland, Oreg.; Los Angeles, and perhaps other Pacific-coast ports.

Please give me a specific report on all vessels listed above listing the amounts expended in conversion, as well as reports on all other Russian vessels converted into ships for the use of the Russian fishing industry—and, also, the names and addresses of the shipyards in which they were converted.

It is very important for our committee to have information as to how many Russian vessels were converted into modern fish-factory ships of various kinds, in order, for our own American fishing industry to understand the world competition they are facing.

Very sincerely yours,

FRED BRADLEY, M. C., *Chairman.*

Statement on Wartime Repair and Conversion Work Under Lend-lease on Vessels of the Soviet Fishing Fleet

Early in the war the Soviet Government asked the United States to provide under lend-lease services in repairing vessels of her fishing fleet. The repairs were to aid the production of canned crab meat and other fish products from Russian fisheries in the Pacific for shipment to the U. S. S. R. The Soviet Government pointed out, in connection with this request, that their food supply was of vital importance to the war effort, and that crab meat had been found by their medical authorities to be particularly useful in the diet of convalescent soldiers of the Red army. It was made clear that the canned crab-meat product of the Russian Pacific fisheries was looked upon by the Russians as an essential item of their diet, rather than a luxury, and was not intended for export. The crab catch in that part of the Pacific consists of crabs averaging 8 to 10 pounds in size and thus was an economical source of fish products compared with ordinary crab catches elsewhere in the world.

The guiding principle in lend-leasing repair and conversion services on crab-canning vessels for the Soviet Government was that our assistance would be limited to the maintenance of existing productive capacity and would not extend to improvements or betterments such as might have substantial postwar value. The importance of supporting food production by Russian fisheries during the crucial period of the war was clearly recognized; but, at the same time, caution was exercised to see that elements of long-term capital improvement did not creep into the repair program.

In the few instances where vessels were converted into crab canneries under lend-lease, the conversions did not materially add to the productive facilities of the Soviet fishing fleet, since crab-canning vessels were withdrawn from the Soviet fishing fleet and their canning equipment switched to cargo vessels owned and nominated by the Soviet Government.

A total of three Soviet-owned cargo vessels were withdrawn from the trans-Pacific trade and converted by the United States Government into canneries under lend-lease, the canning equipment on board two Soviet cannery vessels being removed for installation on the three cargo vessels. The hulls of the two Soviet cannery vessels were turned over to the United States by the Soviet Government under reverse lend-lease and the vessels later used as expendables in the Pacific war. To replace the loss of dry cargo carrying space in the regular trans-Pacific trade occasioned by removal of the three cargo vessels for conversion into canneries, the United States Government lend-leased two dry cargo Liberty vessels to the Soviet Government. (These ships were part of, and subject to the same conditions as, the 125 merchant vessels transferred to the Soviet Government under lend-lease.) The Soviet Government agreed not to bring any additional cannery vessels to the United States for major repairs after this conversion was undertaken. The United States Government reserved the right to request other nominations of vessels in the event that those designated by the Soviet Government proved not to be in sufficiently good condition to warrant conversion into canneries.

The conversion work went forward on vessels nominated by the Soviet Government, work on two of the vessels being completed before VJ-day and the termination of lend-lease. Work on the third vessel was halted before VJ-day and the termination of lend-lease as soon as it became apparent that the work could not be completed in time to be of value in the war effort. Subsequently, the Soviet Government Purchasing Commission entered into a contract to complete the conversion work on the vessel and assumed all financial obligations in connection therewith accruing after August 17, 1945.

To the extent consistent with practical and effective repair and conversion work necessary to render vessels capable of performing the job for which designed, this repair and conversion work under lend-lease was limited to that required for a maximum of 2 to 3 years fishing and canning operations.

DEPARTMENT OF STATE,
OFFICE OF FOREIGN LIQUIDATION COMMISSIONER,
Washington, March 20, 1947.

Hon. FRED BRADLEY,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives.

DEAR MR. BRADLEY: I have your letter of March 10, 1947, in which you raise certain additional questions on the wartime repair and conversion work under lend-lease on vessels of the Soviet fishing fleet.

Apparently I did not have a full understanding of your original inquiry, since I thought that my earlier letter contained the information you desired. In appraising the effect of wartime lend-lease assistance to the Soviet fishing fleet upon its postwar competitive position, which I understand from your letter is what you have in mind in making your inquiry, we have made a distinction between (1) additions to the Soviet fishing fleet and (2) maintenance and repair work on existing vessels of the fleet. We have considered this a necessary distinction in measuring change in the status quo caused by lend-lease aid furnished during the war.

As I indicated in my eralier letter, there was considerable maintenance and repair work on the existing Soviet fishing fleet, aside from the project for withdrawal of two fishing vessels from the fishing fleet and conversion of a total of three Soviet-owned cargo vessels into canneries under lend-lease. This repair and maintenance work was done in the United States because of a shortage of the necessary facilities in Russia and the other allied countries, and were often extensive in scope because of strenuous wartime operating conditions and hazards and because of undermaintenance of the vessels by the Russians in the early war years. It was certainly not the intention of my earlier letter to underestimate the value to the Soviet Government of this lend-lease assistance in maintaining wartime production of her fisheries; but I felt that this type of work fell into a different category from the conversion work for the purpose of appraising the competitive position of the Soviet fishing fleet in the postwar period.

The three Soviet-owned cargo vessels converted into canneries under lend-lease were the following: the *Menjinski*, the *Chernyshevski*, and the *Aima Ata*, the first two having been converted in Hurley Marine Works, Oakland, Calif., and the third having been partly converted under lend-lease at the Northwest Ship Repair Yard, Portland, Oreg. The lend-lease conversion work on the latter was terminated on August 17, 1945, and the conversion later carried to completion by the Russians on a cash basis.

In answer to the request in the next to the last paragraph of your letter, I enclose herewith detailed data on all lend-lease repair or conversion work done on vessels of the Soviet fishing fleet. You will note that the first eight vessels appearing in the list you submitted in your letter are covered in the report and that a number of additional vessels are also covered. The last eight vessels listed in your letter are not covered because they are not vessels of the Soviet fishing fleet. They were included in the Pacific Marine Review article because they were Soviet vessels on which the Hurley Marine Works had made repairs, and the article was a general report on fish repair work of that company on Soviet vessels, whether or not in the fishing fleet.

Sincerely yours,

CHESTER T. LANE,
Lend-Lease Administrator.

Report on lend-lease conversion and repair of Soviet fishing vessels

Vessel	Type	Build	Gross tons	Length	Fuel	Beam	Draft	Speed	Repairs started	Contractor	Completion date	Lend-lease expenditure	Remarks
						Feet							
Chernyshevski	Cannery	1919 Du	3,588	359	Coal	50	22	8	June 19, 1944	Hurleys-Oakland	Apr. 28, 1945[1]	$1,871,467.51	Only conversions completed under lend-lease.
Menjinski	do	1919 Du	3,683	361	do	50	22	10	Sept. 18, 1944	do	July 17, 1945[1]	1,749,967.46	
Krabalov No. 2	do	1901 Br	4,159	384	do	46	24	8	Jan. 6, 1943	San Francisco	May 26, 1943	1,111,698.30	
									July 1, 1943	do	June 27, 1944	704.84	
Chapaev	Freighter	1919 Am	2,242	250	do	43	21	7	July 1, 1943	do		[2] 1,100.00	Estimated.
									July 9, 1942	Seattle	Oct. 25, 1942	4,933.77	
									Jan. 12, 1943	San Francisco	Dec. 28, 1943	683,663.39	
Koriak	Cannery	1919 Ja	4,214	344	do	50	24	8	May 19, 1943	Seattle	Aug. 17, 1943	535,190.06	
									Aug. 30, 1943	Portland	May 18, 1944	2,376.97	
									Apr. 6, 1944	San Francisco	Aug. 26, 1944	18,599.00	
									Apr. 28, 1944	San Francisco and Portland.	Sept. 22, 1944	582,381.62	
Refrigerator No. 1	Refrigerator.	1933 Da	1,427	229	Oil	36	17	8	Feb. 2, 1943	San Francisco	July 10, 1943	387,885.39	
									July 1, 1943	do	Nov. 23, 1943	53,650.34	
									Jan. 13, 1944	do	May 7, 1944	135,865.13	
									Apr. 5, 1944	do	Aug. 25, 1944	1,352.00	
									Apr. 27, 1944	do	May 7, 1944	132.00	
									May 7, 1944	do	July 9, 1945	7,211.54	
Refrigerator No. 2	do	1933 Da	1,427	229	do	36	17	8	Feb. 1, 1943	do	July 9, 1943	295,273.58	
									July 1, 1943	do	Feb. 2, 1945	40,287.88	
									Jan. 14, 1944	do	May 9, 1944	130,074.09	
									Apr. 5, 1944	do	Aug. 25, 1944	1,352.00	
									Apr. 27, 1944	do	May 7, 1944	132.00	
									June 28, 1944	do	July 9, 1945	6,061.10	
Pischevaya Industria.	Refrigerator, cannery.	1909 Br	10,079	486	Coal	59	27	10	Oct. 3, 1942	Portland	Oct. 30, 1942	130,126.70	
									Nov. 5, 1942	Seattle	Nov. 9, 1942	10,618.34	
									Mar. 4, 1943	do	Mar. 20, 1943	37,090.33	
									Oct. 28, 1943	Portland	Nov. 12, 1943	52,679.86	
									Jan. 27, 1944	Seattle	Feb. 3, 1944	6,009.70	
									Mar. 1, 1944	San Francisco	June 30, 1944	49,753.00	
									Apr. 7, 1944	do	Aug. 25, 1944	1,352.00	
									Apr. 19, 1944	S. Fran. & Portland	July 26, 1944	455,632.51	
									Aug. 11, 1945	San Francisco	Aug. 31, 1944	637.50	
Alma Ata	do	1920 Du	3,611	360	do	50	23	9	Feb. 8, 1945	N. W. Ship Repair-Port.	Mar. 31, 1946[1]	1,400,000.00[2]	Estimated. Work stopped Aug. 17, 1945 conversion only partial on lend-lease basis.
Aleut	Whaler cannery.	1919 Am	5,055	377	do	52	24	7	Apr. 28, 1944	Poole, McGonigle, Jennings-Port.	Mar. 29, 1945[1]	2,066,098.21	

									Apr. 14, 1943	Seattle	Jan. 5, 1944	3,638.61		
									Mar. 29, 1943	do	Jan. 5, 1944	237,326.59		
Arangard	Whale killer	1932	260	115		24	13		Jan. 13, 1944	do	May 16, 1944	142,443.33	Operate with Aleut.	
Trudfront	do	1932	260	116		24	13		Jan. 13, 1944	do	May 16, 1944	134,263.98		
Enthusiast	do	1932	369	106		24	13		Jan. 13, 1944	do	May 16, 1944	147,929.81		
A. Mikoyan	Cannery	1905 Br.	4,153	376	Coal	46	24	6	July 5, 1942	do	July 21, 1942	161,147.72		
									Sept. 30, 1943	do	Jan. 11, 1944	743,358.33		
									Aug. 15, 1944	do	June 25, 1945	7,193.24		
Vsevelod Sibirtsev	do	1912 Br.	6,687	431	do	56	28	9	Nov. 28, 1942	Portland	Aug. 1, 1943	3,084,563.18	Extensive cannery repairs.	
Chetviorti Krabalov.	do	1904	4,304						Mar. 27, 1943	Seattle	May 8, 1943	250,368.67	These vessels later turned over to WSA in cannery deal and used as expendable.	
									Aug. 8, 1943	San Francisco	June 30, 1944	14,849.80		
Giliak	do	1920	3,148						Nov. 9, 1942	Portland	Nov. 18, 1942	44,024.27		
									Apr. 26, 1943	Seattle	June 6, 1943	191,063.60		
Dnepr	Refrigerator	1914 Br.	3,071	304	Coal	45	18	8	Jan. 1, 1943	Portland	Mar. 29, 1943	350,566.60		
									Mar. 30, 1943	do	Jan. 1, 1944	10,109.73		
									Dec. 18, 1943	San Francisco	Feb. 16, 1944	14,331.75	Estimated.	
									Jan. 23, 1944	Portland and Seattle.	May 22, 1944	192,251.41		
									Apr. 21, 1945	Portland	May 4, 1945	19,961.64		
Neva	do	1930 Rus.	3,113	326	Oil	49	21	10½	Feb. 18, 1943	San Francisco	Apr. 3, 1943	164,944.20		
									Feb. 22, 9143	Portland	Feb. 27, 1944	3,242.54		
									Sept. 20, 1943	do	Sept. 27, 1943	12,333.32		
									Nov. 24, 1943	do	Dec. 2, 1943	23,722.20		
									Nov. 16, 1943	San Francisco	July 26, 1944	46,590.94		
									Feb. 17, 1944	do	June 16, 1944	581,775.05		
									Nov. 13, 1944	do	Nov. 22, 1944	460.16		
Rion	do	1931 Rus.	3,113	326	Oil	49	21	10½	Mar. 20, 1912	do	Feb. 14, 1943	192,735.59		
									Dec. 1, 1942	Portland	Dec. 4, 1942	13,818.21		
									Sept. 20, 1943	San Francisco	Apr. 21, 1944	9,164.25		
									Dec. 29, 1913	do		7,196.76		
									Nov. 18, 1943	do	Dec. 28, 1943	571.10		
									Nov. 23, 1943	do	Jan. 24, 1944	846.76		
									Feb. 1, 1943	do	Apr. 30, 1943	241,594.11		
									May 3, 1943	do	July 20, 1943	825.51		
									Sept. 14, 1943	do	Sept. 19, 1943	9,241.29		
									Nov. 26, 1943	Portland	Dec. 5, 1943	16,120.12		
									Jan. 31, 1944	San Francisco	Feb. 25, 1944	78,495.90		
									Mar. 30, 1944	do	July 12, 1944	2,731.11		
									Feb. 3, 1945	do	Apr. 1, 1945	3,985.00		
									Feb. 5, 1945	do	May 8, 1945	557,251.31		
Volga	Refrigerator	1931 Rus.	3,113	326	Oil	49	21	10½	Jan. 24, 1943	do	Feb. 19, 1943	62,875.26		
									Feb. 22, 1943	Portland	Nov. 1, 1943	3,083.48		
									Nov. 16, 1943	San Francisco	May 31, 1944	66,162.04		
									Jan. 4, 1944	do	May 31, 1944	826,512.90		
									Mar. 20, 1944	do	Mar. 21, 1944	11,509.00		
									Feb. 20, 1945	do	Mar. 26, 1945	121,921.08		
									Mar. 26, 1945	do	Apr. 28, 1945	1,652.10		
									Apr. 2, 1945	do	Aug. 31, 1945	6,815.58		

See footnotes at end of table p. 716.

Report on lend-lease conversion and repair of Soviet fishing vessels—Continued

Vessel	Type	Build	Gross tons	Length	Fuel	Beam	Draft	Speed	Repairs started	Contractor	Completion date	Lend-lease expenditure	Remarks
						Feet							
Burevestnik	Trawler		576	168		30	13		Oct. 14, 1943	Seattle	Feb. 16, 1944	$267,238.50	
									July 23, 1945	do	Aug. 2, 1945	1,035.35	
Terek	do		633	168		30	13		Mar. 12, 1942	San Pedro	June 23, 1942	416,897.36	
									July 15, 1942	San Francisco	Sept. 3, 1942	2,791.50	
									July 31, 1942	San Pedro	Oct. 23, 1942	1,434.73	
									Sept. 1, 1943	San Francisco	Sept. 4, 1943	4,296.23	
									Apr. 24, 1943	Seattle	May 2, 1943	2,761.16	
Kapitan Pospelov	Sealer		191						Apr. 7, 1944	do	Oct. 12, 1944	90,246.00	
Kapitan Voronin	do		191						Apr. 7, 1944	do	Oct. 17, 1944	93,869.26	
Komsomoletz Arktiki	Refrigerator	1897 Du	3,349	322	Coal	44	24	9	Mar. 21, 1945	do	Apr. 27, 1945	48,907.94	
									Aug. 13, 1943	San Francisco	Oct. 15, 1943	2,860.00	
												21,587,258.58	

[1] Date of departure from U. S. rather than completion.
[2] No final figure available pending audit of contract, which is in progress.

Prepared by U. S. S. R. Branch, Office of the Foreign Liquidation Commissioner, Department of State.

EXCERPT FROM ADDRESS OF HON. THOR C. TOLLEFSON, REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON BEFORE THE NATIONAL FISHERIES INSTITUTE, THE WALDORF-ASTORIA, APRIL 15, 1947

The nations of the world are building ships of very kind in order to share in this harvest, but our own country is sadly lacking such facilities. In order to inform America's fishing industry on the world competition which faces in the future, Chairman Bradley has secured information regarding the number of fishing vessels of all types that were either wholly or partly converted with the use of lend-lease funds in our several Pacific Coast shipyards during the war. Most of the vessels that were converted were Russian vessels. It is not my purpose to criticize today what happened during the war to meet war emergencies.

We all know that the Russian armies need food and the conversion of the Russian vessels into fishing boats were designed to meet this emergency. But fishing vessels have a fairly long span of life and you people in this industry must face the fact that Russia is today well equipped with vessels converted in part with our own funds to fish the waters of the world.

I bring you this information not in the spirit of criticism, but in order to warn America's fishing industry that you must be on your toes if you expect to meet world competition. I will admit frankly that it was rather amazing to the members of the committee to learn how many fishing vessels had been converted beginning at the height of the war for Russia under lend-lease. The names of these ships are rather difficult for me to pronounce, so I will not attempt to name them. Suffice it to say that 26 vessels of tonnage varying from 260 gross tons to over 10,000 gross tons were brought from Russia to our Pacific Coast shipyards and converted into the most modern type vessels.

Among them were 9 cannery ships which we understand are sometimes known as "mother" ships. These ships can go to the various waters of the world and canning can be done on board these vessels. One captain of one of these ships made this statement proudly as the ships was turned over to him "This is the largest finest cannery ship in the world which will require a personnel of approximately 1,000 men to man and operate her." But there is not one vessel, there are 26 vessels. Now in addition there were 7 refrigerated ships varying in tonnage from 1,400 gross tons to over 3,000 gross tons. Also there were 2 trawlers and one large whaler with three whale killer boats to catch the whales for processing on the mother ship. In addition there were two sealer boats for taking certain types of seals.

The information Chairman Bradley secured indicates that only three of the cannery ships were converted entirely with lend-lease funds: Conversion of most of the others were undertaken under lend-lease but at the close of the war, funds were supplied by Russia to complete the outfitting of the vessels. It is my understanding that these vessels were also outfitted with miscellaneous appliances such as netting.

"You in the industry must, therefore, face the situation that today Russia has an over-all total of 26 vessels converted in American shipyards, and the total amount of money from all sources expended for the conversion of these vessels we understand to be some $21,000,000. I am sure the United States fishing industry does not want to take all of the fish in the world or be selfish, but as one of the world's principal maritime nations, it behooves us to fairly compete with other nations. I am afraid most of us do not realize the importance of taking and using the produce of the sea. Whether cannery, refrigerator, or other types of ships are the most efficient means of catching and processing these fish is a matter which you in the industry can best determine. I understand that there are some different schools of thought that we can operate most efficiently through shore plants. I'm not telling you what to do, but I am merely taking this opportunity to point out that you are facing some real competition.

We have information that other nations are rapidly equipping vessels and plants to share the harvest of the sea. Reports reach our committee that a number of French vessels are now being constructed in the United States for the French Government. Norway is rapidly replenishing her fleet and England, we understand, has a 25 percent increase in her fleet. We are assisting Japan in rebuilding her fishing industry. We have already built 16 purse-seine type vessels for China and some 21 additional ships are ready to be sent there so you can expect competition not only from Russia but from France, Great Britain, Norway, and China. In Japan we are assisting those people to reestablish their fishing

industry for we all know that Japan has to depend principally on the sea for her food supply. Mind you, I am not saying that we should not do these things, although there are some I'm very dubious about. The point I'm trying to bring to you is that the American fishing industry is facing competition in many parts of the world.

ECONOMIC COOPERATION ADMINISTRATION

OFFICE OF THE ADMINISTRATOR

WASHINGTON, October 15, 1948.—The Economic Cooperation Administration today said that $3,500,000 of the recently announced fourth-quarter allotment of $4,000,000 to Iceland has been arranged as a conditional allotment.

ECA explained that the $3,500,000 is to assist Iceland in obtaining goods from the United States, with whom Iceland has a deficit in its trade. Iceland is to establish a similar sum of its own currency in an account in favor of other countries participating in the European recovery program. This account may be used by participating countries to buy products of Iceland's fishing industry. These countries will in turn establish an amount comparable to their purchases in their own currency. Thus the conditional allotment to Iceland is designed to enable Iceland to obtain needed commodities from the United States and at the same time foster intra-European trade.

ECA emphasized that the $3,500,000 is part of the fourth-quarter allotment of $4.000,000 and is not in addition to the annual allotment for Iceland now under consideration.

The fourth-quarter allotment, plus a $2,300,000 loan agreement in the April–June quarter, bring the total allotments of assistance to Iceland to $6,300,000. Iceland was the first country to conclude an ECA loan agreement. It has not received any grants-in-aid.

ECONOMIC COOPERATION ADMINISTRATION

OFFICE OF THE ADMINISTRATOR

WASHINGTON, October 28, 1948.—Fish netted by international teamwork and the Economic Cooperation Administration will be served on many European dinner tables this year, the ECA mission in Norway reports.

This fish would have remained much longer in Norwegian coastal waters and out of intra-European trade had not ECA made possible the catching of it.

Without cotton, there would be no new nets for the weather-beaten Norwegian herring and cod fishermen, who have seen too many fish slip out of their old nets left over from prewar days. Norway turned to the ECA for assistance on cotton imports from the United States. Approximately 350 tons of American raw cotton amounting to about one-half of the $700,000 authorized for cotton imports were earmarked for fish nets.

The United States cotton for the nets was not delivered to Norway, however, as that country has no facilities for converting raw cotton into yarn. The cotton was delivered to Italy, where it could be converted into yarn at a Milan factory. But before the conversion process could take place, means of payment to Italy had to be arranged. The ECA agreed to foot Italy's bill to Norway by charging it against Norway's ECA grant. Mixed in with the American cotton was cotton, probably from Egypt, purchased from the United Kingdom for pounds sterling by Norway.

When the yarn was delivered to Norway, it was woven into sturdy nets in factories now rehabilitated by the purchase of ECA equipment.

When the nets went over the side and were pulled up with a full catch, the fish were dried and ready for export. Norway's fish customers include almost every country in Europe. As a result of the new nets and larger catch, Europe will be eating more fish and Norway's export trade is expected to reach its prewar $100,000,000 annual level.

ECONOMIC COOPERATION ADMINISTRATION

OFFICE OF THE ADMINISTRATOR

WASHINGTON, December 21, 1948.—Something new has been added to Iceland's fishing fleet—a floating fish factory.

Economic Cooperation officials in Iceland have reported the arrival from Portland, Oreg., recently of the 6,900-ton vessel, *The Haeringur*, purchased under ECA's $2,300,000 loan to Iceland.

This largest, newest, and most unusual member of Iceland's fishing fleet has been outfitted with additional equipment in the Reykjavik Harbor and has already gone into operation. It will sail from harbor to harbor on the southern coast of Iceland this winter to receive and process the fish brought in by fishing trawlers. The processing consists of preparing herring meal and herring oil by cooking the fresh fish and sending it through grinders. The dried herring meal, rich in proteins, is used for animal fodder in many European countries and is frequently used as fertilizer. One of the uses of herring oil is in the making of margarine.

By the addition of the floating fish factory to the fleet, it will no longer be necessary for Icelandic merchants to charter vessels to haul the fish from winter fishing grounds in the southwest to the herring oil and meal factories on the north coast of the countries. Formerly the big herring season during the winter was on the north coast, but in recent years the herring run has shifted to the south, thus creating the problem of hauling the fish to the northern plants.

The vessel, a former freighter named *W. J. Connors*, was purchased from the Overlakes Freight Corp. in Portland for $192,500. The over-all cost of special equipment obtained from many sources was $433,000.

The arrival of the vessel was acclaimed by Stefan Johann Stefansson, Icelandic Prime Minister, who extended his thanks to the United States "for its generous and invaluable aid which undoubtedly be an important factor in securing a more stable and prosperous economy of the European countries, including Iceland."

The ECA mission in Iceland reports that the delivery and refitting of the floating fish factory was accomplished in record time in view of the fact that the loan to Iceland was signed on July 22. The loan will be used also to finance the purchase of additional fish-processing equipment and large amounts of fishing net to replace the nets lost in a large fire in Iceland last winter. The herring processed aboard the old American freighter, now cast in its new role, is expected to stimulate Iceland's productivity and consequently the export of one of her most important commodities to other countries of Europe.

STATEMENT OF JOHN D. WILLIAMSON, FORTUNE FISHERIES, INC., SAN FRANCISCO, CALIF.

Mr. Chairman and members of the committee, my name is John D. Williamson of Fortune Fisheries, Inc., 539 Washington Street, San Francisco, Calif., engaged in selling and distributing canned-fishery products. I do not represent any California organization, but I have been asked to speak for many packers vitally concerned with this problem. I have had extensive experience in plant operations of the fishing industry and in sales.

The Pacific coast sardine and mackered fishery is losing its position of dominance as a leading Pacific coast industry. It represents a pay roll for many thousands of workers and is the means of support for many more thousands of fishermen. It represents a capital investment of millions of dollars.

Before World War II, packers exported a large portion of the canned sardine and mackerel pack. Our foreign buyers accepted the California sardine or pilchard as a stable part of their diet and a business was developed that could be considered certain, year by year.

During the war, many new plants were encouraged to start up. A critical protein shortage existed and canned sardines and mackerel were considered a cheap source. RFC funds were made available for new plants and in 1943–45 the pack of sardines and mackerel on the Pacific coast reached its greatest production.

Most of this large pack was bought by the Army and Navy or Government agencies for troop feeding and for aiding the food supply of our allies. During the war we were forced to neglect our former foreign customers as the pack was essentially all for Government use. We now must find favor with our former friends.

Our domestic market also was neglected, and for a year following the war most of our pack was used in replenishing our domestic supply. The pipe lines to the domestic market were filled by mid-1948, and thereafter we attempted to regain our foreign customers, but too late. We found in most cases they were willing and anxious to buy, but they did not have United States dollars. Practically the only market left open to exporters is the Philippine Islands and small outlets in South America.

When we urged our foreign buyers to place orders and start rebuilding the trade we once enjoyed, we found ECA funds were not available for the purchase of canned fish. We then encountered another obstacle. Some of our former customers were building canneries, installing freezers, and packing fish mainly for export to this country or to other foreign countries and in competition with us. Many of these plants were financed with American dollars and American know how. It is imperative that we regain these foreign markets or our industry will die and bring severe losses to fishermen, packers, workers, banks, and kindred industries. We must get this business back before our foreign competitors get too strong, as we could never hope to compete with them with their low cost of fish and miserably low-labor standards. We believe we can regain our markets but dollars must be made available to our customers.

It is quite true that we are moving some fish products in domestic channels, but we are experiencing a buyer's market and in many instances sales, if they are made, must be made below cost. The Monterey Bay area alone has an inventory of close to a half-million cases that should sell for at least $1 more per case than the present market. However, because of the financial weakness of many of the plants and the insistence of banks to liquidate their loans, sales are made at low prices and this, of course, sets a pattern for the whole industry. A reasonable foreign demand would stimulate the industry and prices would again reach a profitable level.

We recommend that our Government declare canned fish in surplus and urge foreign buying through the ECA.

We recommend that ECA funds be made available for the purchase of fish when such foreign buyers as the industry is able to sell place orders.

STATEMENT OF RAYMOND E. STEELE, GENERAL COUNSEL, NATIONAL FISHERIES INSTITUTE, INC.

Mr. Chairman and gentlemen of the committee, my name is Raymond E. Steele. I am general counsel of the National Fisheries Institute, Inc., with headquarters offices located here in Washington, D. C., at 724 Ninth Street NW. The National Fisheries Institute, Inc., is an organization, not for profit, comprised of boat owners, processors, canners, and distributors in the commercial fisheries of the United States and its possessions.

At the outset of this statement I should like to make known that most of the figures I quote are those reported by Mr. Arthur Sandberg of the Fish and Wildlife Service of the United States Department of Agriculture, in connection with his assignment abroad by the Office of Foreign Agricultural Relations of the United States Department of Agriculture. Mr. Sandberg was sent to Europe last fall to investigate the foreign market situation for United States fishery products, and in particular United States canned fish. It is doubtful that the fishing industry would have the information supplied by Sandberg had not an amendment to the Department of Agriculture's appropriation bill, sponsored by Congressman George Bates last year and backed by Congressman Thor Tollefson, along with a few others of this committee, been passed by the Eightieth Congress.

It was quite obvious about a year ago when the Economic Cooperation Administration was in its formative stage that the ECA program was not of the type to supplant lend-lease or the interim-relief program, which Congress had established as a stop-gap until a more permanent program was developed. To those who were familiar with the wartime fishery program, which was geared to help feed a starving world, it was apparent that with a stoppage of large Government purchases our exports of fishery products, particularly canned fish, would be sharply curtailed. Under lend-lease as much as 90 percent of some species of canned fish was taken by the Government under set-aside orders issued by the War Food Administration. Later on, to bolster the relief programs in Europe, large quantities of the less costly species of canned fish were acquired by the Government for relief feeding in Europe. In this way badly needed low-priced protein food was obtained.

When ECA was established the export of canned fish dropped to practically nothing, as has been evidenced by the charts shown at this hearing. While many in the industry expected a decided decrease in canned fish exports few felt that their prewar markets were gone. Those who analyzed the ECA program as it affected the fisheries in the United States enumerated the policy that each canner probably would have the privilege of communicating with his old broker abroad or the importer in Europe and doing business pretty much as before the war. In most cases, of course, it was understood that ECA dollars would have to be the medium of exchange, and it was further understood that the participating countries would have to request that part of their dollars be allocated for the purchase of canned fish. When the State Department worked up its first figures, in its so-called brown book, regarding the amount of canned fish which the ECA might take for the first 8 months of its operations, the dollars represented were set at about $31,000,000. In view of historical purchases, this figure was not too encouraging, but inasmuch as it meant going back to private enterprise, many canners thought they could toot their own horns and build up the demand in Europe within a short while. But what actually happened was that the ECA only took about $8,000,000 worth of canned fish from this country during the first 8 months ECA was in operation. Not only that, but the situation has been growing progressively worse. Only the week before last the ECA authorized the expenditure of $670,000 for Greece to purchase American canned fish through private channels. This is a little encouragement on an otherwise dim horizon, if the purchases are actually made. Complaints have been made by certain United States canners that ECA has failed to recognize firm orders placed by ECA participants in this country for canned fish in that no dollars have been authorized to consummate the purchase. Who actually is responsible for channeling these dollars requested for canned fish in another direction I do not believe is actually known, at least in industry circles.

The institute is not out openly to criticize the ECA, nor to blame ECA for the loss of export markets for canned fish. However, the problem has become so acute that something will have to be done or the American fishing industry will find itself in dire financial straits. The American fish canner is content to see the European fish canner prosper, but you cannot blame him when he frowns at having to pay the check for the other fellow's prosperity. Not only that, but for him the ECA is working in reverse. Either through ECA funds or Export-Import Bank loans, fish canneries and freezers are being built all over the world, and the irony of it all is that some of these countries are turning to the United States to buy their exportable surpluses. This is what I mean by ECA in reverse.

I cannot tell you to what extent ECA dollars or Export-Import Bank dollars have been spent to build these facilities, but I am hoping this committee can find the answer. We do know that, according to releases of ECA, the first loan was made to Iceland for her fishing industry in the amount of 3.2 million dollars. Whether directly or indirectly, ECA dollars have had a bearing on the freezer plants built in Norway, Belgium, and other countries, as well as canneries which have been constructed, is not known. Not that we should be too critical of these loans, but take a look at the increases in production of fishery products in some of the leading producer nations. It really makes little difference whether fish is in frozen form or canned, insofar as saturating the American market is concerned. In other words, if the canned fish which formerly was sent to Europe has to be sold on the home market, it comes into direct competition with frozen or other types of fish. Already a decline in price for most species of canned fish has taken place. Some of the prices for California sardines, for example, are being quoted at below production costs. Bank loans which are being called have partly depressed the domestic market. Some small canners have been forced to liquidate to raise cash; other plants producing California sardines have already failed. If this is true, and I believe it is, then one source of tax revenue with which to run the ECA program has been lost.

There is little doubt in my mind that the fishing industry in many ECA countries was the first to recover. Fish populations in many fishing areas increased during the war because of forced inactivity of many large fleets. In other words, the fish were in the ocean waiting to be caught. Other than supplying the vessels and gear, no elaborate plans had to be laid, such as in agricultural programs, to get into production. ECA concentrated its efforts in its main office in Paris to rehabilitate the fishing fleets of ECA countries. This is pretty much evidenced by the fact that the only American assigned specifically to fisheries problems in the Paris ECA office, who sits at a relatively high level, deals almost

solely with problems that involve supplying boats and gear for Marshall plan countries. To my knowledge, American fish as food has been almost totally ignored.

How far ECA should go in its effort to build up fishing fleets, of course, is pretty much up to Congress. Naturally our people believe that a halt should be called before it is too late. The fishing industry of the United States does not get the same measure of protection by our Government that is given the farming industry. Actually the Fish and Wildlife Service figures disclose that the Federal Government spends from taxes each year on each farmer $98.88, while spending $21.07 on each fisherman. From the taxpayer's dollar, our Federal Government spends $5.73 for each ton of farm products while spending only 90 cents for each ton of sea food. Of course, a great part of the funds spent on the farmer are support prices for the things he produces and it is this matter that I would like to point up. The farmer can run the risk of producing a bumper crop because the Government will bail him out if the market cracks up when he is ready to market it. This is not true in the fish and shellfish industry. When the market starts hitting the skids, there is often nothing to stop it.

More than ever, then, Congress should be fully apprised of market conditions for fishery products and, in the case of ECA, I believe an attempt should be made to see that fishery products, when in surplus, should be used in relief programs wherever possible in order to save the American industry. We know that Europeans are using fish extensively because it is about the least costly protein food that can be produced. Our American canned-fish products of the more common species, such as California sardines and mackerel, can be purchased at prices that are very low. Rather than have the United States industry fail altogether, it might be well to offer a cut price for the fish that move in export channels such as is provided for some farm products.

So as not to give your committee a false impression about the seriousness of the problems the domestic industry faces, let us look at what is happening in some of the larger fish-producing countries of the world.

The United Kingdom was the principal export market for our canned fish. In 1934–38, our exports averaged 50,000,000 pounds annually to the United Kingdom. In 1948, they may not exceed 50,000 pounds. The United Kingdom is buying pilchards, known here as California sardines, from South Africa. This latter country has only been in the pilchard canning business about 4 years. Already pilchard production has passed her principal fishery products: namely, crayfish and stockfish. The South African fish catch in 1934 totaled 45,000,000 pounds compared with 200,000,000 pounds in 1947; the biggest increase involves pilchards. Then canning plants for production of pilchards have been built in the last 4 years and, according to a Canadian report, six new companies are starting up at Capetown. Canned fish packs have increased there from 3.8 million pounds in 1941–42 to 11.5 million pounds in 1945–46. Canned pilchard production alone in the 1946–47 season is reported to be 7.6 million pounds. Exports of this species along with canned snook and mackerel totaled 5.5 million pounds. It is very evident that American canned fish, chiefly salmon and pilchards, which formerly went to England, is being replaced by this South African production.

French Morocco has reported potentialities for packing 1 million cases or about 5.5 million pounds of sardines annually. At present, she has 55 sardine canneries. In Safi, 4 new plants are being constructed and at Azadir 18 new plants are being built or planned to be built. One is also to be built at Magador. Not only will the added production from Morocco absorb part of our potential European market, but it is a threat to the American industry's domestic market. Like every other country, Morocco is seeking American dollars. The existing tariffs are no longer barriers that will preclude this type commodity from flooding the American market. The Maine sardine industry, of course, is going to suffer equally with the California sardine industry.

While the balance of trade is most commodities exported from the United States in 1948 stood at about $13,000,000,000 against imports of around 7,000,000,000, the reverse is true for fishery products. For example, during 1948, the import excess will likely total 388,000,000 pounds of $80,000,000. During the postwar years of 1945–47, United States imports of fishery products exceeded exports by about $43,000,000. In other words, we slipped about $37,000,000 this past year, and since the slipping was fastest during the last part of 1948, it is proof that our troubles are continuing to get worse.

It might be well, I believe, to tell you about some of our other competitors in the world market so you can determine where the squeeze is coming from. Holland, another ECA country, has increased canned fish production from an average of 56,000 pounds during the years 1936–38 to about 14,000,000 pounds last year. Her exports in the 1947–48 season of canned fish totalled 12,300,000 pounds.

Canned fish exports in Norway totalled 76,000,000 pounds in 1947 as compared to 39,000,000 in 1938. I learned from a Canadian report where Norway is contemplating the building of 48 freezers with ECA funds. She expects to export larger quantities of fish with these new facilities and looks to the United States to import large quantities of frozen fish. This can only have one result. The market for canned fish will suffer along with the market for frozen fish. On the one hand, you have an influx of imports and on the other a backing up of canned fish that ordinarily would move in export channels.

It is quite noticeable that the increase in production of canned fish in Denmark has increased substantially and that exports in 1947, totalling 3,300,000 pounds were three times those of 1938. Sweden has also had a phenomenal increase in her canned fish exports. In 1938, they amounted to 2,200,000 pounds, and in 1947 amounted to 5,600,000 pounds. Even though production in France is hindered by shortages of tinplate, she expected to have available for export about 7,000,000 pounds in 1948. All these countries expect to get our American dollars through direct sales to importers in this country.

American canned fish products such as California pilchards are superior in quality to pilchards canned by South Africa or the Netherlands, but as time goes on, these countries are expected to improve the quality of their packs. There is no method in the American canning of fish that is unknown to our foreign competitors. Actually some of our foreign competitors have new and modern plants that are superior to our own in many respects. Our Government has invited many foreign agents into our plants to learn our methods and the result is that we have developed keen competition.

Two unknowns that are potent in the production field face the American fish canner on top of what I have already set forth. Japan, No. 1 fishing nation in the world before the war, has already regained that position. She is also out to regain her world export markets and is cutting in on us already. She not only produces tuna and crabmeat, but pilchards and other species of canned fish. Under General MacArthur, she is giving every encouragement to recapture what she has lost. The second unknown is Russia. We have no figures on her production, but through what she has already had and added fishing grounds which she took over from Japan, she is a factor in canned salmon. Britain has given the Soviet Union a contract for about 360,000 cases of canned salmon to be delivered in 1949. It can almost be assumed as a final analysis that unless this Government does something more than it has in the past, she will forfeit her No. 2 world position in the fisheries to the Soviet Union, which country is doubtless promoting her fishery. And it can further be assumed that America's oldest industry, which is also a billion dollar one, will be lost forever.

Mr. Chairman, I would like to insert in the record a letter from Mr. George T. Harrison, president of Tilghman Packing Co., Tilghman, Md., to the President of the United States on the date of May 20, 1947. And the copy of a similiar letter to Mr. Howard Bruce, Deputy Administrator, Economic Cooperation Administration, as a supplement to my statement.

THE TILGHMAN PACKING CO.,
Tilghman, Md., May 20, 1947.

The PRESIDENT,
The White House,
Washington, D. C.

MY DEAR MR. PRESIDENT: The writer was a member of the War Foods Advisory Committee (fish canning section) during the war. There were 11 men appointed on that Committee from industry in the country. At the first meeting held in Washington, the Government Chairman talked to the Committee for over an hour as to ways and means of getting our industry geared to produce more canned seafood, and we were repeatedly urged to do the necessary along this line, saying that food was the first line of deefnse and would be one of the greatest factors in winning the war as well as the peace.

The writer took it seriously and the personnel of our company realized that there was actually only one way that we could step up production with less labor and that would be through building labor-saving machinery. We could see that this would be very expensive, but we planned and promptly built our own machinery shop and mechanized our plant to a point where we produced over six times as much canned seafoods and vegetables as we had done at any time prior to the war. All of this was accomplished with less labor than we had formerly used. We built one shad filleting machine manned by six operators that cut as many fillets as 300 people could have done by hand in the same time. We built a cutting table with belts, conveyors, etc., which eliminated the use of 20 people who were placed in another part of the plant to cut smaller fish, which procedure allowed us to step up production 2,000,000 pounds in 2 months by thus using these 20 people.

At the last meeting of the War Foods Advisory Committee, the Government chairman told us men from industry that if we had anything on our chests to get it off. I then stated how our company had taken that job seriously and increased production through modern machinery, and that in the last 18 months there had been one Sicilian, one Brazilian, two Frenchmen, two Chinese, and one Englishman sent to our plant by one of the branches of our Government with a letter requesting us to show them through our plant for the purpose of acquainting them with our modern machinery. Naturally we were hesitant. However, Mr. President, any request that we got from our Government we honor, and so we showed them through. These men not only examined very carefully our plants, machinery, and entire equipment, but we have learned that they inspected also the salmon and pilchard plants on the west coast and plants in Boston and Gloucester, as well. I stated that I was certain that after I had finished my statement, I was going to be told by some representative of the Government that this was a part of the good-neighbor policy, but I wanted to go on record as having stated that in my humble opinion it was a part and parcel of the good-sucker policy. The only thing that could come from this policy was a lowering of our own standard of living either directly, or indirectly, by raising the other countries' standard of living. Even though all of these countries have cheaper wage scales than we have, they are handling their fish products by hand or with very primitive machinery. So we can, with our modern machinery, compete with them in our own markets. However, now that they have knowledge of our machinery and plants, plus cheap labor, when they begin exporting to this country, the packers here, who have spent substantial sums of money equipping their plants, will have great difficulty in meeting the price of the foreign product, many plants will close and many people will be thrown out of work.

We are perfectly willing to pay the present taxes, though they be various and sundry, and if necessary we might find ways and means of paying additional taxes, and most assuredly will do so if imperative and in order to feed anyone throughout any part of the world needing food, regardless of race, color, or creed; but we do feel, Mr. President, that canned foods and seafoods which are produced in this country (and there are large surpluses on the market and in warehouses) should be sent to these people rather than give them money with which to buy their own food, for instance, there is on hand at the present time considerably more than 2,000,000 cans of herring that are surplus in several Maryland canners' warehouses. These cans contain 1 pound and analysis show they contain 741.2 calories each, or one-half of the minimum daily diet of a Greek or German at the present daily ration. We know there is more nutritive and caloric value in canned fish products than there is in some canned foods and cereals and other products which are now being sent from this country to starving Europe. At the present time they can be bought at about 15 cents a pound, which is much cheaper than many items now being sent overseas for relief food supplies. We hope that you will start a proper investigation as to why there is not now some means of marketing through governmental channels the surplus supply of canned foods now held in warehouses throughout the East. If this is not accomplished, the canners and processors will be forced to close. This certainly will embarrass the farmers financially and it will bankrupt the watermen. We personally know of several thousand employees who have already lost their jobs in Maryland due to food plants closing and we also have checked and found that many of these people have gone on relief.

We hope that you will understand, Mr. President, that this letter is meant to be constructive only. We fully realize that it is a huge job to run the Government, and it is our desire not to hinder but to help in any way possible. The matter of which I write is important and imperative.

Thanking you for your consideration and assuring you of our fullest cooperation, always, we are

Faithfully yours,

THE TILGHMAN PACKING CO.,
GEO. J. HARRISON, *President.*

THE TILGHMAN PACKING CO.,
Tilghman, Md., January 7, 1949.

Mr. HOWARD BRUCE,
Deputy Administrator,
Economic Cooperation Administration,
Washington, D. C.

DEAR MR. BRUCE: Confirming our telephone conversation of today, we appreciate the opportunity of presenting the following facts to you.

We are very much disturbed over what is going to happen to the fishing industry of this country. In 1942 the Agriculture Department bought 332,841,000 pounds of canned fish products and exports for UNRRA, lend-lease and overseas army. The first 6 months of 1948 they only bought for export 4,331,000 pounds.

The Marshall plan (ECA) has given to Greece and Italy a total of $7,259,000 of the United States taxpayer's money with which to buy fish. Instead of buying the fish from the United States to keep our canneries operating, they have bought fish with this amount from Canada and Newfoundland approximating 38,800,000 pounds. The only amount of fish purchased from the United States with this money received from ECA was $8,800 worth.

Imports of fish from foreign countries to the United States in 1947 was 407,276,000 pounds. For the first 9 months of 1948 our imports of fish were 348,547,000 pounds of cod and herring.

We feel it is time our Government recognizes the fact that they should purchase more fish products through the money allocated by ECA and through the Quartermaster Corps from United States canneries and processors so that this industry can survive. Today the majority of employees in the various fish canning establishments are unemployed and drawing unemployment compensation.

It is certainly a deplorable condition for the United States to use their tax money to aid these needy countries and still have this uncalled for unemployment within its own borders for which we must pay compensation. The picture is anything but pleasant when it can be so easily remedied.

England, according to the National Geographic magazine's January issue, is supplying this year to the Germans 540,000,000 pounds of fish. You can see they are not taking their money and sending it to the United States to buy fish from the packers over here to feed foreign countries.

On January 3, 1949, the Baltimore Sun carried the following item:

"FLOATING FISH FACTORY LAUNCHED BY ICELAND

"WASHINGTON.—A floating fish factory—Economic Cooperation Administration officials in Iceland have reported the arrival from Portland, Oreg., recently of the 8,900-ton vessel *Haeringur*, purchased under ECA's $2,300,000 loan to Iceland. This largest, newest and most unusual member of Iceland's fishing fleet has been outfitted with additional equipment in Reykijavik Harbor and has already gone into operation. It will sail from harbor to harbor on the southern coast of Iceland this winter to receive and process the fish brought in by fishing trawlers."

With kindest regards, we are

Your friends,

THE TILGHMAN PACKING CO.,
GEORGE T. HARRISON, *President.*

COLUMBIA RIVER SALMON AND TUNA PACKERS ASSOCIATION,
Astoria, Oreg., February 7, 1949.

Hon. WALTER F. GEORGE,
Chairman, Senate Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SIR: The Columbia River Salmon and Tuna Packers Association and the industry at large on the Pacific coast have viewed with alarm the increasing importations of certain fish and fish products from foreign countries.

During the recent war years, we built plants, boats, and installed equipment for a large production of fishery products. These found excellent acceptance in our domestic market because of their fine quality and workmanship. Producers, distributors, fishermen, shore workers, processors, canners, and suppliers have spent their time, money, and energy to the development of this fishing industry which is now being threatened by the ever-increasing unrestricted importations of fishery products from foreign countries.

With particular reference to fillets, fresh and frozen, the imports of these have more than doubled the previous year during 1948, reaching the astounding total of over 52,000,000 pounds. With the expanding construction of plants, fishing vessels, and other facilities in foreign countries, the importations could be ever increasing. With their lower cost of labor and operations, it is no wonder that we foresee the ruin of our domestic market unless the quotas are restricted.

It is not the principle of the Trade Agreements Act that we oppose. We realize the obligation of our Government to certain foreign countries, but the American fishing industry cannot survive the importation of an unlimited quantity of foreign products to our limited domestic market without wrecking the economy of our own fishing industry—affecting the lives and fortunes of our people making up this great industry.

To alleviate this very adverse condition, we earnestly recommend your giving serious consideration toward establishing a limit upon the importation of both frozen and canned fishery products, and, at the same time, make some provision for the purchasing of American canned fish, including salmon and tuna, by the Economic Cooperation Administration.

Respectfully,

COLUMBIA RIVER SALMON AND TUNA PACKERS ASSOCIATION,
By HENRY GOODRICH, *of the Executive Committee.*

OFFICE OF FOREIGN AGRICULTURAL RELATIONS

FOREWORD

The abrupt drop in 1948 in exports of United States fishery products was cause for concern to an industry which looks to the foreign markets for an outlet for a significant part of its production, particularly of the canned pack. This concern led to a request for a study by the Office of Foreign Agricultural Relations of the fishery production and trade in western Europe to provide pertinent facts which would aid members of the United States fishery industry in the formulation of their production and marketing programs.

This circular summarizes the personal observations of Mr. Arthur M. Sandberg, marketing specialist of the Fish and Wildlife Service, Department of the Interior, who conducted the study for this Office. In the course of the foreign survey, which was conducted during the period mid-August through mid-October 1948, Mr. Sandberg visited the United Kingdom, France, Eire, the Netherlands, Belgium, western Germany, Austria, Switzerland, Italy, and Greece. To broaden the picture with respect to competition in western Europe, information available in the Washington offices was utilized in the preparation of the statements relating to the fishery situation in Norway, Denmark, Sweden, Iceland, Spain, Portugal, French Morocco, the Union of South Africa, Russia, Japan, Canada, and Newfoundland.

This study was conducted under the provisions of the Research and Marketing Act of 1946, as amended. The possibilities for broadening the foreign market for other agricultural commodities also are being studied, and the findings are presented in circulars which can be obtained, free, from the Office of Foreign Agricultural Relations, Washington 25, D. C.

JOSEPH A. BECKER,
Chief, International Commodities Branch.

THE MARKET FOR UNITED STATES FISHERY PRODUCTS IN WESTERN EUROPE

By Arthur M. Sandberg, Marketing Specialist

The fishery industry of the United States once had a good market for its products in Europe. But postwar problems, principally those of international exchange and to a lesser extent those of the growing trend toward self-sufficiency, have slowed that trade to a virtual standstill. Furthermore, there is little indication that such problems will be solved in the immediate future.

For years Europe provided an outlet for one-half or more of the edible fishery products exported from the United States. During the 5 years, 1934 to 1938, domestic exports to Europe averaged 62,000,000 pounds, 52 percent of the total exports of 118,000,000 pounds. In the war period (1940–44) shipments to Europe, mostly lend-lease to the United Kingdom, averaged around 116,000,000 pounds, and in the 3 years, 1945–47, they averaged 101,000,000 pounds (table 1, p. 18).

Out of a total of 212,000,000 pounds of edible fishery products exported by the United States in 1947, about 116,000,000 pounds were shipped to Europe. During the first 9 months of 1948, total United States exports of these products amounted to 72,000,000 pounds as compared with 159,000,000 pounds in the similar period of 1947, and 170,000,000 pounds in that part of 1946. Of the 72,000,000 pounds exported in the January–September period in 1948, only 14,000,000 pounds were exported to Europe. The total exports for the year 1948 may not exceed 85,000,000 pounds, considerably less than prewar, and probably only about one-fifth of this total will be destined for European markets.

Over the past 15 years, United States exports have been mostly canned fishery products, largely salmon and sardines. Domestic canned fish production has remained fairly constant over this peiod. In 1934-38 the canned pack averaged about 697,000,000 pounds, annually. The pack in 1946 totaled 699,000,000 pounds, and in 1947 reached 754,000,000 pounds.

The United States also has been an important buyer of foreign fishery products. During the three postwar years, 1945–47, United States imports of edible fishery products exceeded domestic exports by an average of 244,000,000 pounds or $43,000,000 anually. With a reduction of more than 50 percent in the quantities exported during the first 9 months of 1948, as compared with the preceding years, and an increase of 28 percent in the imports, the 1948 import excess totaled 277,000,000 pounds or $34,000,000 at the end of September. A further increase in this excess of imports over exports is expected to be registered in the last 3 months of 1948. This compares with a prewar annual excess (1934–38 average) of 213,000,000 pounds or $16,000,000.

Most European countries are racing to build up their fishery production, both for domestic needs and for export. Fishery production in major producing countries of Europe (except U. S. S. R.) was above the prewar level in 1947, when approximately 11.2 billion pounds were landed (table 2, p. 19). Belgium, Denmark, Eire, and Iceland had doubled their prewar production and other countries generally were at or above prewar production levels. In Germany and Italy, production was still below prewar, but sought-for goals can be expected to be reached in the near future.

Between 1934 and 1939, the catch reported by the specified countries increased from 7.8 billion pounds to 10.1 billion, then dropped to low levels during the war. Many of the fleets were beginning to approach prewar size in 1946, and production reached 9.5 billion pounds. Additions to the fishing fleets were made during 1948, and production for that year in the countries listed (table 2) is expected to total about 12.3 billion pounds, an increase of 34 percent over the 1934–38 average.

Although there are some counterinfluences, such as the effects of overfishing and shortages of materials and equipment, the developments in production are proceeding to the point where there is some concern whether European fisheries can continue to expand their activities and obtain satisfactory markets for their production. This brings up the question of what is likely to happen when other food products which have been scarce return to the markets in greater quantities, and what may happen to the fish situation should distribution not keep pace with production. Already, increased supplies of fresh fish in many of the food-deficient areas have lessened the need for imports. Countries which have developed their output to provide food for deficit areas are finding it increasingly difficult to market at capacity. Some countries are already expanding their fish exports to the United States and others are planning to enter this market.

Fish-canning facilities are being increased in Europe and Africa. Production, however, is not yet at full potential of existing facilities because of shortages of supplies, particularly of tin plate and oil. For example, the canned-fish packs in France, French Morocco, and Spain would be much higher if tin plate and oil were available in adequate supply; and the Norwegian pack in 1948 was reported limited by labor shortage.

During the war, shipments of United States fishery products to Europe were largely made under lend-lease agreements and, since the war, principally under aid programs or with borrowed dollars. The use of available dollars under the European recovery program is being concentrated upon the reconstruction of the economy of the participating countries so that they can produce, export, and have the exchange with which to pay for needed imports. The situation is complicated, however, by the fact that these countries do not have enough dollars to purchase all the things they want and need. Consequently, dollar resources are conserved and their use is restricted to so-called essentials commodities, as the term is now used. Officials of European governments who control the disbursement of dollars are inclined to put United States fishery products in the dispensable class. This has caused an almost abrupt stoppage in our exports of fishery products to Europe.

Exchange problems are hampering the movement of fish not only from America to Europe but also within Europe. European nations realize the importance of fishery products in their diet, and fish are moving in increased volume in the trade of these countries. However, until the basic issue of foreign exchange is resolved, supplies will come from countries which can arrange acceptable exchange. Trade between European countries is being accomplished in many cases through commodity or compensation agreements. This method of trading, which is in effect barter, has become prevalent in Europe in view of unreal values of various currencies from the viewpoint of international trade. Such arrangements have an important influence on the direction and flow of trade. Under these agreements, representatives of two trading countries get together and compile lists of exports which each can provide the other. Generally, the total values of the shipments are made approximately equal. The funds derived from imports are used to pay for exports, the money transaction being handled almost entirely in the currency of the individual countries, and little or no use of foreign exchange is involved.

Countries participating in the European recovery program long have been dependent on a large volume of imports from dollar areas. Normally, these were paid for by exports of commodities or services, or by income from investments abroad. The war reduced or eliminated these sources of foreign exchange, increased the need for imports into Europe, and a shortage of dollar exchange developed.

Austerity programs are in effect in many countries and consumers are doing without many long-desired consumer goods to further a big recovery effort. The basic aim of the European recovery program has been to expand production, eliminate abnormal demands from the outside world, and produce increased exports to pay for needed imports. A recent program outlined by OEEC, in effect, would seek to obtain new sources of supply in those parts of the world outside the dollar area, keep increasing exports to dollar countries, and make further cuts in imports from dollar areas. This may stimulate production in countries that have no historical record of export dependency and curtail production in countries which have established their industries on an export market.

Labeling requirements, which have been on the books but which were not enforced during the emergency, are being dusted off in many countries. Import duties in particular are being studied in some countries where it is believed that domestic production is being affected by outside competition.

Given ordinary conditions, there would exist a reasonable chance for the resumption of normal marketing of United States fishery products, particularly canned fish in Europe. The quality of established American packs is well known and accepted and prices are generally comparable to those prevailing for similar products in most European markets.

Under prevailing conditions, however, there appears to be little prospect for any immediate resumption of our fish exports to Western Europe on a scale comparable to prewar volume. The economic conditions prevailing in many European countries have resulted in close national control of production, foreign trade, exchange and distribution. Programing by European governments of import requirements and export surpluses and the anticipated trade deficits for the next several years indicates that there may be little possibility of free play of regular

market forces for some time. As long as such government controls are in effect, they will be the most important factor affecting our foreign markets. It seems improbable that the rather free movement of goods in international trade envisaged in arrangements such as reciprocal trade agreements can be fully achieved under such conditions.

Competition, even now, is keen in Europe and can be expected to become more so should the market become freer. American producers, therefore, should see that certain minimum requirements are met by products to be exported. Improvement in many products, particularly those packed to fill certain emergency needs, is desirable if markets for these are to be developed. Consideration also should be given to the preparation of packs to satisfy specific demands and preferences. Furthermore, it seems imperative that the fishing industry keep informed on the changing situation and be on the alert for any and all trade opportunities. Closer contacts with trade developments abroad should be maintained in order to keep abreast of developments lest markets be lost to more aggressive competition.

A further insight into conditions affecting markets for United States fishery products may be obtained from an appraisal of developments in the various countries competing for the European market as well as the situation in the importing countries. The sections which follow are devoted to a review of the situation in certain important countries.

THE FISHERY SUPPLY SITUATION IN CERTAIN IMPORTING COUNTRIES OF WESTERN EUROPE

United Kingdom

The United Kingdom has been the principal European outlet for canned fish from the United States. In the 1934–38 period the United States exports of edible fishery products to that country averaged 50,000,000 pounds annually (table 1), of which 36,000,000 pound were canned salmon. During the war exports to the United Kingdom increased to 192,000,000 pounds in 1943, dropped to 16,000,000 pounds in 1944, after which they increased. The exports of United States fishery products to that country continued to increase after the war, reaching 90,000,000 pounds in 1947. For the first 9 months of 1948, however, only 30,000 pounds had been exported to the United Kingdom, and there appears little prospect for any general improvement in the immediate future as the outlook for dollar exchange offers no encouragement.

During the war most of the United States fishery products supplied to the United Kingdom moved under lend-lease arrangement. Since the end of the war, payment for United States fish by the United Kingdom has been made largely with borrowed dollars. Under the current year's European Recovery Program the expenditures of dollars for any but "essential" commodities is not probable.

A strong demand for United States fishery products exists in the United Kingdom. Wartime use has done much to acquaint new customers with the products, particularly canned pilchards, salmon, shrimp, and mackerel. More recent introductions, such as canned whiting and rockfish, into the English markets have not been so well received, and some stocks still remain on grocer's shelves. Canned shrimp and oysters have not moved well because of their relatively high price.

British stocks of canned salmon were very low by the end of 1948 and needed replenishment to prevent their being exhausted. The quantity of canned salmon available in 1947 was 22 percent less than in 1946, or about half the quantity available in 1938. Imports for the first 7 months of 1948 were only 14 percent of the quantity imported for the similar period of the preceding year. In 1947 there were 48 million pounds obtained from the United States, 23 million pounds from Canada, and 2.8 million pounds from Russia.

Canned snoek, packed in the Union of South Africa, has been introduced on the English market and is being marketed in increasing quantities. In early September 1948 the Ministry of Food reported that 1.5 million of the one-half pound tins came into the United Kingdom, and it is expected that 10 million tins will be brought in during the next 3 years. In addition, considerable quantities of South African pilchards are available.

The total catch of fish in the United Kingdom is now above prewar, and additional newer and larger vessels are supplementing the fleet. Production in 1947 was reported at 2.2 billion pounds, slightly above the prewar rate. Imports of fresh and frozen fish in 1948 are expected to be 3 times the prewar figure.

Canned-fish production in the United Kingdom totaled 13,000,000 pounds in 1946 and is expected to reach 22,000,000 pounds in 1948.

There seems little probability of resumption of normal marketing of United States fishery products in the United Kingdom in the near future. In view of the increase in production and imports of fresh and frozen fish, and in imports of canned fish from colonies and soft-currency countries, continued developments in production of fishery products in the soft-currency areas will result in stronger competition with United States products even if the British exchange situation improves materially. As a result of the apparent good demand for United States products, it is improbable that this market will be lost entirely, although considerable inroads may be made by foreign products which are now finding market in the United Kingdom. British importers have worked diligently, but with little success, in an effort to obtain authorization to resume the importation of United States fishery products.

France

In the prewar period, 1934-38, the United States exported an average of 3.1 million pounds of fishery products to France. Since 1939, such exports from the United Sates to France have been minor except for 1.1 million pounds provided under lend-lease in 1944, and 320,000 pounds in 1945. Prior to the war, France also obtained large quantities of canned fish from Portugal, Morocco, and Japan. In 1939, France imported 7,000,000 pounds of canned salmon from Japan. At present, France is obtaining canned fish principally from Portugal and Morocco.

A demand exists in France for substantial quantities of canned fish from the United States, but limited dollar resources restrict the purchase of such products.

General preference in France and throughout western Europe is for fish packed in olive oil. While first preference is for olive oil, the packs in peanut oil are preferred over those containing cottonseed and soybean oil.

Fresh fish production in France has now reached prewar levels. Landings totaled 627,000,000 pounds in 1946, and 748,000,000 pounds in 1947. It is expected that about 717,000,000 pounds will be caught in 1948. About 7,000,000 pounds of canned products are expected to be available for export in 1948, even though canned fish production is hindered by shortages of tin plate and oil.

Imports are under the control of the French Government. The association of importers works with the government in the determination of what is to be imported. The government allocates funds and authorizes importers to buy approved products.

Eire

Imports of canned fish into Eire (Ireland) totaled about 4.2 million pounds in 1947 and a little less than 1 million pounds during the first 7 months of 1948. The United States supplied about 1.5 million pounds in 1947 and about 365,000 pounds in the 1948 period. Other sources of canned fish were Canada, Portugal, Norway, the Netherlands, the United Kingdom, the Union of South Africa, and Newfoundland. In prewar, the United States exported about 319,000 pounds, annually, to Eire. In 1938, Eire imported 2.2 million pounds of canned fish, largely from the United Kingdom, the United States, the Soviet Union, Japan, and the Netherlands, with small quantities from Canada and Portugal.

There is fairly strong demand in Eire for red or pink salmon and lesser demand for pilchards and shrimp. While shrimp is ordinarily a good seller, it is considered too high in price for marketing in considerable quantity.

The Irish fresh-fish industry is small and distribution is limited mainly to coastal areas. Irish fish production is now at twice the prewar rate with 45,000,000 pounds caught in 1946, 40,000,000 pounds in 1947, and the indications are that 1948 landings will surpass the 1946 catch. The increase in fishing activity has been due to the increased demand in Great Britain. It is believed that the industry will suffer when operations of the British fishing industry are fully under way again, unless some home market expansion takes place.

Although Eire is surrounded by the sea, the fishing tradition is not as strong as in other martime countries. The country people, although maintaining strict observance of religious fasts, do not often taste fish except in cured form.

Prices prevailing for canned fish in Irish markets are fairly high, therefore, price would appear to be no particular obstacle to the sale of United States products. However, due to the shortage of dollars, imports are coming from soft-currency areas.

The Netherlands

The United States exported an average of 2,300,000 pounds of fishery products to the Netherlands during the five prewar years, 1934–38; about 939,000 pounds under lend-lease in 1945; 865,000 pounds in 1946; and about 567,000 pounds in 1947. During the first 9 months of 1948 a total of 616,000 pounds of United States fishery products, largely sardines, were exported to the Netherlands.

Prewar, Japan was an important source of imports of fishery products, supplying some 4,500,000 pounds of salmon and 1,300,000 pounds of pilchards in 1938. Some recent offers were reported received from Japan, but trade could not be made because of the required payment in dollars. The Netherlands has commodity trade agreements in effect with the Soviet Union, Italy, Poland, Hungary, Yugoslavia, Austria, Belgium, and the United Kingdom, providing for the exportation of fish in exchange for other products; and with Denmark, Norway, France, Iceland, and Sweden for the importation of fish.

The distribution of United States fishery products under various aid programs and the disposal of surplus army stocks has done much to introduce our products. The limited quantities of canned mackeral made available found ready acceptance. Their is strong consumer demand for canned salmon and pilchards, but the use of dollars for these items is now restricted. Attempts have been made by the trade, with little result, to import canned salmon through countries with available dollar exchange or to obtain imports for 1950 payment.

The Dutch are building up their export trade in fishery products to obtain exchange. During the war, the fish-preserving industry expanded because competition from foreign sources was restricted and the domestic demand was high. The production of canned fish has increased from an average of 56,000 pounds in the three prewar years (1936–38) to 14,000,000 pounds for the year ending June 30, 1948. A further increase to 15,700,000 pounds for the year ending June 30, 1949, is forecast. This pack is for export, and only that which is rejected for export is sold on the domestic market. In 1945, an inspection commission was established to prevent the exportation of poor quality preserved fish. In the 1947–48 season, exports of canned products totaled 12,300,000 pounds as compared with an average of 49,000 pounds, prewar (1936–38).

Although the Netherlands fishing fleet suffered considerable damage during the war, much of it has been restored. Landings of fresh fish are above prewar levels and totaled 515,000,000 pounds in 1947. A further increase to 594,000,000 pounds is forecast for 1948.

Belgium

In contrast with most European countries, Belgium is using dollar exchange to import fishery products from the United States. In 1947, Belgium imported 181,000,000 pounds of fishery products from all sources as compared with 155,000,000 pounds in 1938. Of the 1947 total, some 69,000,000 pounds were canned fish; 45,000,000 pounds, mussels; 28,500,000 pounds, fresh fish; and 20,000,000 pounds, salted herring. Of the 69,000,000 pounds of canned fish imported in 1947, Portugal supplied 39,000,000 pounds; the United States, 17,600,000 pounds; Canada, 4,600,000 pounds; Norway, 3,5000,000; France, 1,300,000; and Japan, about 290,000 pounds. Before the war, the bulk of imports came from Japan and Portugal. During the first 6 months of 1948, Belgium imported about 8,300,000 pounds, of which nearly 4,800,000 came from Portugal; 1,900,000 from Canada; 1,200,000 from the United States; and small quantities from each of the other 1947 sources.

Canned salmon and pilchards have sold well in Belgium. In 1945, the Belgian Government obtained United States canned fish from Army surplus, and this stock did much to acquaint consumers with United States products which they had not previously tried. The canned mackerel and sea herring, for instance, were well received. Packs of canned pilchards from Japan and Holland were seen in Belgian markets in 1948.

Exports of fishery products from the United States to Belgium and Luxemburg averaged about 3.1 million pounds annually, for the 5 years, 1934–38. Lesser quantities were exported to Belgium in 1939 and 1940 and none during the 4 years, 1941–44. Small quantities of canned salmon and pilchards were provided under lend-lease in 1945. In 1947, almost 10 million pounds were exported to Belgium.

The Belgian fish-canning industry is small and its production is limited to three canneries located at Ostend.

Landings of fishery products in Belgium shortly after the war were reported very good. With increased fishing activity in the North Sea by all countries, however, the catch per unit of effort is now indicated to be declining. During

the years just before the war, the Belgian fish catch averaged about 82.9 million pounds annually. In 1946, the catch totaled 156.8 million pounds, and in 1947, reached 168 million. Indications during the first part of the year were that landings would be down somewhat in 1948.

Various regulations have been proposed, and in some cases put into effect, which have tended to restrict trade in canner fish, but these are either temporarily suspended or not enforced at this time.

Germany

Before the war, Germany was the third largest producer of fish in Europe and, next to England, the largest importer of fresh fish. With the fishing fleet reduced about 50 percent by the war, the domestic catch has been far below the prewar average. In order to rebuild this valuable source of food, occupation authorities are working closely with the Germans in an effort to increase the domestic catch. To accomplish this, permission has been granted to build 100 new trawlers. According to reports, 34 ships were in various stages of construction in September 1948, but the building program has been slowed by the shortage of materials.

The domestic catch of fish in Germany averaged 1,000,000,000 pounds for the 5 years, 1934–38; and imports averaged 508,000,000 pounds. Average landings at bizone ports for the 2 postwar years, 1946 and 1947, were 540,000,000 pounds, and imports in those 2 years averaged 323,000,000 pounds. The 1948 catch is forecast at 652,000,000 pounds and imports are expected to total 612,-000,000 pounds.

Of the 612,000,000 pounds which are expected to be imported into the bizone in 1948, it is estimated that about 139,000,000 will come from the United Kingdom; 25,000,000 from Newfoundland; 273,000,000 from Norway; 18,000,000 from Sweden, and 157,000,000 pounds from Iceland. These imports are expected to be entirely fresh, frozen, salted, or pickled fish. Herring is the principal item imported. During the 5-year period, 1934–38, exports of fishery products from the United States to Germany averaged about 927,000 pounds, and consisted of 676,000 pounds of mild-cured salmon, 228,000 pounds of sardines, and 23,000 pounds of unclassified fishery products. Since that time, there have been practically no exports to Germany from the United States.

No canned fish is being used in the civilian-feeding program. In 1946, 7,000,000 pounds of canned fish were imported from the United Kingdom. In 1938, however, a total of 33,600,000 pounds were imported from Sweden, Belgium, Portugal, Norway, Spain, Japan, France, and Italy, the bulk of which came from Spain and Portugal.

Although Germany produced considerable canned fish, prewar, little was exported. During the war, the entire output went to the Army and now the small production goes for institutional use.

The outlook for resumption of sales of United States fishery products to Germany shows no promise for at least 3 or 4 years. Present operations are directed toward providing only essentials necessary to feed the population, and imported fish consists mainly of herring and white fish obtained from producing countries in northern Europe. Because costs, as well as exchange problems, are considered, European countries will probably continue for some time to supply western Germany's imports of fish and fish products.

Canned fish is brought into Germany by the United States Quartermaster Corps and by the Post Exchange Services for sale to military personnel. Most of the trade through the post exchanges is in items for use in snacks and light lunches. Therefore, small cans, ½ pound or smaller, predominate. Among the commodities which were on sale in the exchanges were Portuguese sardines, tuna, and anchovy fillets and pastes; Danish and Norwegian brislin, and Danish fillet of mackerel; Peruvian tuna in soybean and sunflower oil; Norwegian kippered herring fillets; English fish paste and cod-roe caviar; Italian antipasto; and lobster, salmon, and shrimp from American sources.

Coalfish is smoked in Germany as a substitute for smoked salmon, which was a favored delicacy, prewar. The resulting product, however, does not compare in taste and texture with that made from mild-cured salmon. Should salmon again become available in Germany it should be readily accepted.

Austria

In 1947 Austria imported about 25.6 million pounds of fish products as compared with an average of 20.8 million pounds for the 2 prewar years 1936–37. The 1947 imports consisted of about 15.8 million pounds of sea fish, largely from the

Netherlands, Norway, Poland, and Denmark; 8.5 million pounds of cured fish from Norway, the United Kingdom, and Belgium; and 1.3 million pounds of conserved fish almost entirely from the Netherlands. These figures do not include the fish provided under the aid programs. In 1937 Austria imported 5.8 million pounds largely from Portugal, Italy, Norway, and Japan. Austria's fish requirements for the year ending June 30, 1949, are expected to come mostly from Denmark, Sweden, Norway, the Netherlands, Yugoslavia, and Poland. Such imports are being arranged largely through commodity trade agreements, providing for the exchange of Austrian products.

Under aid programs, the United States exported 3,800,000 pounds of fishery products to Austria in 1946, about 6,300,000 pounds in 1947, and about 4,900,000 pounds during the first 9 months of 1948. These exports were largely of silver hake and herring.

Prospects for further sale of silver hake for use in Austria appear quite remote. The river herring, while enjoying better consumer acceptance, has also been entangled in a maze of unfavorable Communist press propaganda. Although the fish may not have been of as poor quality as indicated by the press, the story has been so enlarged upon and impressed upon the people that they have practically refused to use these products. Previous difficulty was encountered with a shipment of "fish hash" brought in by U. N. R. R. A. which reportedly contained fish eyes, bones, skin, and scales. Another factor which discouraged the use of fish was that the average consumer seldom had potatoes, bread, or cereal to eat with the fish at the time these products were on rations. Consequently, he had to sit down to a can of silver hake or herring and make a meal of it. This became a pretty tiresome diet. A number of cases of intestinal trouble occurred, probably because of the inadequate diet, and this, too, was attributed to the fish. Being unaccustomed to the use of canned products, consumers gave little attention to their care after opening. Canned sea herring, canned peas, sugar-beet seeds, and other items were also criticized. Some of the fish packs contained excessive free liquid, and shipment had reduced what were orginally whole pieces of fish to a mush. Improvement in these packs is essential if they are to obtain acceptance in foreign markets.

Switzerland

Switzerland, like Belgium, has dollar exchange available, and is using it to purchase United States fishery products. The country is small, however, so the market is limited. In addition, United States products face heavy competition from those of other European countries.

Switzerland imported 15,000,000 pounds of fishery products in 1947, as compared with an average of 14,800,000 pounds for the two prewar years, 1938 and 1939. Of the 1947 imports, 9,500,000 pounds were conserved fish (canned, dried, salted, and smoked) and 5,600,000 pounds were fresh and frozen. The 9,500,000 pounds of conserved fish consisted of 6,700,000 pounds of dried, salted, and smoked products, 1,300,000 pounds of conserved fish in containers over 3 kilos (6.6 pounds), and 1,500,000 pounds in containers under 3 kilos. The United States provided 896,000 of the 1,500,000 pounds of fish in the smaller-sized containers in 1947. Fresh and frozen fish came from Belgium, the Netherlands, Denmark, Iceland, Norway, and Sweden; while the conserved fish came from France, the Netherlands, Portugal, Denmark, Norway, Sweden, Morocco, Belgium, Peru, and the United States.

United States exports to Switzerland, while variable in quantity, have tended to increase, particularly in the period since Japan has been out of the market. Salmon and pilchards have been in greater demand.

United States exports to Switzerland in 1947 consisted of 559,000 pounds of canned salmon, 150,000 pounds of canned sardines, 31,000 pounds of frozen salmon, 8,000 pounds of canned lobster, 2,000 pounds of canned shrimp, and 2,000 pounds of other products, totaling 752,000 pounds. Prewar (1934–38), such exports averaged 28,000 pounds and consisted mostly of canned salmon.

Retail establishments appeared to have sizable quantities of canned salmon, particularly pink, but little canned pilchards. Netherlands-packed "pilchards" were observed in a number of stores.

As in other European countries, Swiss consumers prefer canned fish in oil and in small-size cans for use as snacks or hors d'oeuvres. Since there is a liberal supply of canned fish on the shelves, competition is keen. Portuguese sardines reportedly sell well in Switzerland, and a preference was expressed for Portuguese and French tuna, which is packed as a solid chunk in olive oil. Mackerel has not been very well accepted, but a number of foreign packs are being introduced.

The annual domestic catch of fish in Switzerland is estimated at about 4.5 million pounds taken by commercial fisheries, and 2.2 million pounds by sport fishing. Domestic production is seasonal and the market is subject to gluts, but prices do not fluctuate a great deal. Swiss consumers are reluctant to purchase frozen fish, so practically the entire catch is marketed fresh.

Import licenses are required and payments are subject to special regulations in force with all countries. However, as the foreign exchange market is free, there are usually no difficulties in obtaining the required licenses.

Italy

Italy does not appear to be a likely prospect for the sale of any volume of United States fishery products in the near future. Because of the unfavorable exchange situation, fish imports are coming largely from soft-currency areas, largely from those countries with which Italy has commodity or compensation agreements. Shipments from the United States and Canada have been mostly under aid programs.

In 1947, Italy imported about 235,000,000 pounds of fishery products, consisting of 117,000,000 pounds of dried, salted cod; 46,000,000 pounds of fresh and frozen fish and shellfish; 28,000,000 pounds of herring, sardines, and pilchards, salted or in brine; 18,000,000 pounds of stockfish; 6,000,000 pounds of other dried, salted or smoked fish; 5,000,000 pounds of tuna, marinated or in oil; 2,000,000 pounds of sardines and anchovies; and 13,000,000 pounds of other fish and shellfish. In 1938, imports totaled 221,000,000 pounds. Prewar, Japan was an important factor in this market with salmon, pilchards, and tuna. However, when the Fascists came into power various restrictive measures were adopted to "prevent imports from interfering with domestic industry." The Fascists also developed a fish-canning industry in Italy to make their economy more self-sufficient. Italy's fish-canning industry is relatively small now. During the 4-year period, 1937–40, it produced an average of 27,000,000 pounds annually. Packs were largely in 10, 5, and 1 kilogram (kilogram equals 2.2 pounds) tins.

Frozen fish is being marketed in Italy in increasing quantity. One firm now has 310 retail outlets, selling only frozen fish from refrigerated cabinets. Northern Italy is the main market for frozen fish. Inland and mountain areas prefer salted or dried fish because of the lower costs and ease of transporting and preserving.

In the 1934–38 period, the United States exported an average of about 562,000 pounds, mostly canned fish, to Italy. Under lend-lease, the United States sent Italy 11.4 million pounds of canned fish in 1944 and 12.7 million pounds in 1945. Since little of this was distributed through the regular markets, it was not possible to determine the acceptance of these products with any degree of accuracy. In general, it was stated that salmon, pilchards, and mackerel were well liked but are now considered too high in price for the average Italian consumer.

The Italian fish catch, which ranged between 381,000,000 and 441,000,000 pounds annually, prewar, was reported at 298,000,000 pounds in 1947. It is forecast that by 1951 the catch should reach 470,000,000 pounds.

A law, which is on the books but not enforced, provides that the place of preparation, net weight, name of firm, country of origin, and specifications of pack must be lithographed on the can.. This law may soon be enforced. This would require American firms to lithograph these items on the cans. Import duties are being studied and increases proposed by Italian processors.

Greece

Greece was the recipient of considerable quantities of United States fish products under aid programs. Exports of United States canned fish to Greece totaled 16.3 million pounds in 1944, 24.1 million pounds in 1945, 14.4 million pounds in 1946, 3.6 million pounds in 1947, and 7.8 million pounds in the first 9 months of 1948. Recently, the bulk of imports has originated in countries other than the United States. Purchases now contemplated are expected to be largely from sterling areas.

While commercial imports of fishery products were quite low in 1945 and 1946, total imports including products received under aid programs, averaged 55.6 million pounds for the 2 years—about equal to the quantity of imports into Greece in 1938. UNRRA shipments accounted for 56 million of the 58 million pounds of fishery products received by Greece in 1945; and 32 million of the 53 million pounds in 1946. Imports in 1947 totaled 29 million pounds, of which 630,000 pounds came from UNRRA stock, and 358,000 pounds were commercial shipments from the United States. The 1947 imports consisted of about 4.9 million pounds of fresh fish, mostly from Turkey; 7.1 million pounds of cured herring, principally from the Netherlands and the United Kingdom; 3.5 million

pounds of fish, canned or in brine, from Portugal, Turkey, Tunisia, and the United States; 13.6 million pounds of cod, largely from Iceland, Norway, and Denmark.

In the limited time available, it was not possible to obtain an adequate picture of the consumer acceptance of United States products. Importers state that, although such products as pilchards and herring were well liked, the Greeks prefer fish in oil. Some of the imports of cured and canned fish were reported to have been of inferior quality. In some instances the lower quality may have resulted from products remaining on the docks, or in the warehouses under improper storage conditions and for too long a time.

Greece has two fish canneries now in operation, but their production is small. The development of canneries to preserve tuna during seasons of abundance has been proposed. There are a number of plants in Greece which salt fish in cans. Sardines, anchovies, and mackerel are packed in this manner. Retailers open the individual cans and sell to the customers in small quantities.

The Greek fishing fleet, which was badly depleted during the war, is now reported to be near prewar size. Fishery production was reported between 56 million to 67 million pounds averaging 63 million, prewar; 45 million pounds in 1946; 54 million pounds in 1947; and it is expected that 1948 will show an increase over the prewar catch.

THE FISHERY PRODUCTS SUPPLY SITUATION IN MAJOR EXPORTING COUNTRIES WHICH MARKET IN EUROPE

Norway

The fish catch in Norway, which averaged about 2.1 billion pounds prewar, was reported at 2.7 billion pounds in 1947, and early estimates indicate the catch may reach 3.3 billion pounds in 1948.

Winter herring fishing in 1948 was reported the most successful on record. The successful season was ascribed to increased capacity of the fleet and especially to the use of radio-sound equipment for locating fish. Even greater quantities might have been taken, it was reported, but processing and marketing facilities were inadequate to handle the additional catch. The cod fisheries experienced a partial failure, since the total catch was only 300 million pounds compared with 513 million in 1947 and 408 million pounds in 1946. However, as much fresh and frozen cod was exported in 1948 as in previous years, but the quantity salted was much smaller. Exports of herring were increased over previous years. The catch of brislings was not up to expectations, but other fisheries reported normal landings. Some difficulty was experienced in obtaining sufficient labor for the highly seasonal canning work. Exports of canned fish for the first 7 months of 1948 were slightly above the similar period of 1947.

Denmark

Fish production in Denmark which totaled around 197 million pounds, prewar, was reported at 459 million pounds in 1947, and early indications for 1948 show a 15-percent increase over 1947. Success in selling the surplus in foreign markets has stimulated increased output. The domestic consumption of fish is about 134 million to 157 million pounds annually. During the war, Germany was the principal foreign buyer; but now Denmark is selling to a number of European countries. Exports during the first 6 months of 1948 were larger than those of 1947. Canned fish exports in this period were equal to the entire 1947 quantity.

Sweden

Production of fish in Sweden was reported at 365 million pounds in 1947, compared with an average of 253 million pounds in the prewar period, 1934–38. Catches during the first half of 1948 were reported exceptionally large. With food supplies generally more ample, the gross income of the fishing industry has shown a downward trend. During the first 6 months of 1948, a total of 78 million pounds of fishery products was exported, an unusually large quantity when compared with 38 million and 76 million pounds for the entire years of 1947 and 1946, respectively. Most of the exports during the 1948 6-month period went to Czechoslovakia and the French zone of Germany. In 1947, exports were largely to Czechoslovakia, Italy, Poland, the Soviet Union, France, and the Netherlands. Canned fish exports totaled 5.6 million pounds in 1947 as compared with 2.2 million pounds in 1938.

In the prewar period, United States exports of fishery products to Sweden averaged 558,000 pounds, and consisted largely of mild-cured salmon. This trade was cut off during the war but was resumed in greater quantity in 1946

and 1947. In 1948, Sweden, finding itself with limited dollar balances, has attempted to correct the situation by sharp curtailment of imports from dollar areas.

Iceland

Icelandic fish production, which averaged 520 million pounds in the 5 years, 1934 to 1938, had increased to 1 billion pounds in 1947, and estimates indicate the catch may total about 1.1 billion pounds in 1948. Total landings in the first 8 months of 1948 surpassed those of the corresponding period of 1947. In 1948, Iceland exported fish to the United Kingdom, Greece, Italy, the Netherlands, Poland, Eire, Germany, France, Czechoslovakia, and the United States. Data for the first 9 months of 1948 show exports of 296 million pounds as compared with 173 million pounds in that period of 1947. Canned fish exports during this period totaled 2 million pounds compared with 300,000 pounds in the 1947 period. Icelandic representatives have been aggressive in seeking out European markets for their products. Various reports indicate that Iceland is proposing to further augment its production by adding new trawlers and quick-freeze plants.

After almost 10 years of progressive increases in catch, the year 1947 saw a reduction in the quantity of fish brought into port. The catch for the craft fishing off the coast of Eire and the bay of Biscay was much reduced. In 1947, the catch totaled about 1,300,000,000 pounds. In 1934 it totaled 896,000,000 pounds, and in 1938, after a period of civil war, 670,000,000.

Spanish sardine canneries have a normal annual production of about 3,000,000 cases (100 tins of 30 mm. or .190/200 grams or 6.1/6.4 oz.) and normal export surplus of more than 1,000,000 cases. The canning industry, however, is passing through a very difficult period. There were continued raw material shortages in 1947, but most damaging to the industry was the inability of canners to enter the export markets because of the unrealistic fixed value of the poseta. Exports of canned fish in 1947 totaled only 295,000 cases. Canners in Portugal, presently Spain's cheap competitor, are able to quote sardines at much lower prices. Formerly, Spain shipped canned fish to about 57 world markets. Germany and Argentina were the largest customers, each taking about 300,000 cases or about 6,600,000 pounds a year. The German market has been lost, and the Argentine market has dwindled as the result of import restrictions imposed on foreign canned fish.

Portugal

Additions to the Portuguese cod fleet during 1949 are expected to relieve Portugal of the necessity of importing large quantities of cod from Norway and Newfoundland. These imports have amounted to between 56 and 67 million pounds, annually, during the past few years.

Portugal exported 85,000,000 pounds of canned fish in 1947, and 103,000,000 pounds in 1946. Exports in 1938, totaled 78,000,000 pounds, principally to Germany, France, the United Kingdom, the United States, and Belgium. The 1948 pack is expected to be below that of 1947 as the catch of sardines is reported to be about 50 percent less.

French Morocco

With reported potentialities for packing some 1,000,000 cases (100 cans of one-fourth kilos or 8.8 ounces, per case) or about 55,000,000 pounds of sardines, annually, the pack of sardines in French Morocco has ranged around 500,000 cases because of shortages of oils, and metal for cans. At the present time, there are 50 sardine canneries in this territory which, under normal conditions, would have about 600,000 cases or about 33,000,000 pounds available for export. France has been the principal outlet for this production. Before the war, all but 20,000 or 30,000 cases were exported but domestic consumption of sardines was reported to have increased to about 250,000 cases annually in recent years.

Union of South Africa

The canning of pilchards in South Africa, begun about 4 years ago, now surpasses in production that of canned crayfish and stockfish (hake). South African firms are seeking to develop foreign markets for this product.

The growth of the over-all catch of fish in South Africa has been significant. In 1947 there were 200,000,000 pounds caught as compared with 45,000,000 pounds in 1934. Before the war, pilchards were almost completely ignored, whereas in 1947 the catch totaled about 100,000,000 pounds for canning and other processing. A number of firms have built new plants or have increased facilities to can pilchards, mackerel and snoek. Ten canning plants have been established along the west coast of South Africa during the past four years.

Canned fish packs have increased from 3,800,000 pounds in 1941–42 season to 11,500,000 pounds in 1945–46. Production of canned pilchards during the 1946–47 season was reported at 7,600,000 pounds. Exports of pilchard, snoek, and mackerel in that season totaled 5,500,000 pounds. The United Kingdom has been instrumental in promoting some of this development, and the products are moving to the British market. Reports indicate that the Union has an exportable surplus of about 8,000,000 pounds of canned fish and 3,500,000 pounds of canned crayfish. An agreement (gold loan) with the United Kingdom, provides for the exportation of 13,500,000 half-pound tins of canned fish to the latter country.

Russia

While apparent Soviet exports so far have been small, the U. S. S. R. possesses a potential source of supply of greater significance now than before the war, since some Japanese fisheries in northern waters are now under its control. As a result, additional quantities of Soviet-produced canned fish may become available on the world markets. There is little indication, as yet, of Soviet products entering European markets in any great volume. In 1947, the British Food Ministry obtained 2.8 million pounds of canned salmon from the U. S. S. R. under a contract which called for much larger quantities. The Soviet Union, in 1938, provided the United Kingdom with 33,000,000 pounds.

Japan

Canned pilchards from Japan were obtained by Belgium in 1947, but the quantity was relatively small. Immediately preceding the war, Japan supplied Europe with large quantities of canned salmon, pilchards, tuna, and crab meat at extremely low prices. As a direct result, many European countries imposed strict import controls to prevent overexploitation of their markets. Although Japanese fishing activities are now much restricted as compared with prewar, Japan can be expected to again become a competitor in European markets.

Canada

Fishery production in Canada increased from an average of 1,100,000,000 pounds in the 5 years 1934–38 to about 1,400,000,000 pounds in 1945 and 1946, and 1,200,000,000 pounds in 1947. The 1948 catch, however, is expected to exceed that of 1947.

Canadian exports of edible fish products totaled 290,000,000 pounds in 1938, 409,000,000 pounds in 1946, and 380,000,000 pounds in 1947. While total exports for the first 6 months of 1948 were equal to those of 1947, canned fish exports were down 50 percent while those of fresh and frozen fish were up 41 percent. Exports of fillets were largely to the United States. Canada's trade commissioners in foreign countries are provided regularly with lists of Canadian products available for export. These commissioners keep in touch with importers in the foreign country and promote Canadian fish marketing as best they can. They report on market conditions, regulations, prices, and current developments of interest to Canadian exporters of fishery products. This has served to keep Canadian trade informed. Canada recently obtained authority to require inspection of canned fishery products on the east coast.

Newfoundland

The war resulted in rapid growth of the Newfoundland fish industry. Experts of frozen fillets increased from 6,500,000 pounds in 1940 to 34,000,000 pounds in 1945; declined slightly in 1946, then fell off to 17,000,000 pounds in 1947. Herring exports totaled 10,000,000 pounds in 1940; increased to 85,000,000 pounds in 1946, then dropped to 32,000,000 pounds in 1947. Salt cod exports totaled 139,000,000 pounds in 1940; 112,000,000 pounds in 1946; and 100,000,000 pounds in 1947. Increased fishing on the Grand Banks by some of Newfoundland's best European customers is reported to be reducing export demands for its products. Exports were somewhat reduced in 1947 because of restrictions imposed by the United Kingdom on the conversion of sterling into dollars. The Newfoundland government enabled exporters to obtain dollar payment from its own supply in exchange for sterling payment deposited in England. This enabled the resumption of sales to sterling areas late in 1947 and in 1948. Exports in 1948 are above 1947.

During the first 6 months of 1948, 75 percent of the frozen fillets exported were destined for the United States as compared with 41 percent in the same period of 1947. Canada was the second largest market in 1948.

TABLE 1.—*United States: Exports of edible fishery products, average 1934–38, annual 1939–48, by country of destination—Calendar years*

Country of destination	Average, 1934–38	1939	1940	1941	1942	1943	1944	1945	1946	1947	9 months, January through September 1948
	Million pounds										
United Kingdom	50.1	51.1	92.6	127.6	119.0	192.1	15.9	21.6	67.7	90.1	(1)
Belgium and Luxemburg	3.1	2.3	.5	------	------	------	------	1.3	.4	9.9	0.1
Netherlands	2.3	1.3	.4	------	------	------	------	.9	.9	.6	.6
Eire	.3	.6	.1	(1)	------	------	------	------	------	1.4	.2
France	3.1	1.7	.2	------	------	------	1.1	.3	(1)	.1	(1)
Norway	.2	.2	------	------	------	------	------	------	------	(1)	(1)
Germany	.9	.3	------	------	------	------	------	------	(1)	------	(1)
Sweden	.6	.6	.1	------	------	------	------	------	1.1	.7	(1)
Finland	(1)	(1)	------	------	------	------	------	------	------	------	------
Denmark	.4	.2	.1	------	------	------	------	------	------	------	------
Switzerland	(1)	.4	.1	.4	.4	------	------	------	.1	.7	.1
Austria	------	------	------	------	------	------	------	------	3.8	6.3	4.9
Czechoslovakia	(1)	(1)	------	------	------	------	------	8.0	6.4	.1	------
Yugoslavia	------	------	------	------	------	------	------	7.0	3.9	(1)	(1)
Poland	------	------	------	------	------	------	------	5.4	3.8	2.6	------
Malta, Gozo, and Cyprus	(1)	(1)	(1)	------	(1)	.4	.8	(1)	(1)	------	------
Gibraltar	(1)	(1)	(1)	------	------	------	------	------	------	------	------
Italy	.6	.2	.1	(1)	------	.3	11.4	12.7	4.2	.1	.2
Greece	.3	.1	(1)	(1)	------	------	16.3	24.1	14.4	3.6	7.8
Total	61.9	59.0	94.2	128.0	119.4	192.8	45.5	81.3	106.7	116.2	13.9
Total United States exports	118.3	125.0	144.8	216.0	167.1	239.3	112.2	136.0	205.9	211.6	71.6
	Percent										
Exports to specified countries as percent of United States total	52	47	65	59	71	81	41	60	52	55	19

[1] Less than 50,000 pounds.

Source: U. S. Department of Agriculture, Office of Foreign Agricultural Relations. Compiled from official records of the Department of Commerce.

TABLE 2.—*Landings of fishery products in specified European countries, average 1934–38, annual, 1945–47, for calendar years*

Country	Annual average 1934–38	1945	1946	1947
	Million pounds	*Million pounds*	*Million pounds*	*Million pounds*
Belgium	82.9	103.1	156.8	168.0
Denmark	197.2	336.1	441.4	459.3
France	730.4	------	627.4	748.4
Germany	1,059.8	[1] 127.7	[1] 515.3	[1] 564.6
Eire	22.4	51.5	44.8	40.3
Netherlands	510.8	------	425.7	515.3
Norway	2,063.6	1,859.7	2,090.5	2,699.9
Portugal	470.5	------	640.8	------
Spain	896.2	1,216.6	1,330.9	1,272.7
Sweden	253.2	342.8	412.3	365.2
United Kingdom	1,785.7	717.0	1,485.5	2,240.6
Iceland	519.8	------	824.5	1,068.8
Italy	414.5	------	358.5	298.0
Greece	62.7	------	44.8	53.8
Switzerland	6.7	6.7	6.7	6.7
Finland	100.8	------	109.8	108.1
Total	9,177.2	[2] 7,501.5	9,515.7	[2] 11,232.1

[1] Bizone only.
[2] Includes estimates for countries for which official data are not available.

Source: U. S. Department of Agriculture, Office of Foreign Agricultural Relations. Compiled from official and trade sources.

Some canned-fish products and prices observed at random in various European markets, September 1948

Product	Can size	Where packed	Retail price [1]	How packed
London, England:				
Pilchard	1 pound, oval	United States	$0.30	In tomato.
Mackerel	1 pound, tall	do	.30	Natural.
Sneek	14 ounces, flat	South Africa	.57	
Do	1 pound	do	.45	
Do	½ pound	do	.27	
Kippered snacks	do	Norway	.20	
Crab meat	do	Not available	.75	
Do	do	Union of Soviet Socialist Republics.	.50	
Sardines	¼ pound, flat	United States	[2].30	In oil.
Brisling	do	Norway	.20	Do.
Sild	do	do	.18	Do.
Salmon:				
Red	1 pound, tall	United States	.70	
Other	do	Not available	.60	
Mussels	14 ounces, tall	Netherlands	.45	Semiconserved.
Filet or anchovies	About 3 ounces	Portugal	.35	In olive oil.
Do	2 ounces, flat oblong	do	.21	Do.
Silver hake	1 pound, tall	United States	[2].30	
Oysters	No. 1 can	do	[2].95	
Shrimp	do	do	[2]1.30	
Dublin, Eire:				
Pilchards	1 pound, tall	South Africa	.40	Tomato sauce.
Herring	do	Canada	.30	
Codfish	10 ounces, round	Newfoundland	.40	
Herring	14 ounces, oval	Netherlands	.37	In oil.
Do	8½ ounces, oval	do	.27	
Do	14 ounces, oval	do	.40	In tomato and oil.
Do	9 ounces, oval	do	.30	
Salmon	5 ounces, flat	Netherlands	.55	Semiconserved, smoked.
Brisling	3¾ ounces, flat	Norway	.25	In oil.
Sardines	4 ounces, flat	Portugal	.27	In tomato sauce.
Do	4½ ounces, oblong	do	.25	In oil.
Young herring	8 ounces, oval	Netherlands	.32	
Do	do	Norway	([3])	
Shrimp	No. 1 can	United States	.85	
Kippered snacks	5 ounces, oblong	Norway	.15	
Do	3¾ ounces, oblong	do	([3])	
Salmon, red	1 pound, tall	United States	.75–.80	
Boneless fillets	Not available	Spain	.30	
Small herring	14 ounces, oval	Norway	.32	Tomato sauce.
Kippered herring	8 ounces, oval	do	([1])	
Germany, Post Exchange:				
Tuna	7 ounces, flat	Portugal	.50	
Do	do	Peru	.50	Soybean and sunflower oil.
Antipasto	3 ounces (approximate).	Italy	.35	
Kipper paste	1 ounce, flat	England	.05	
Anchovy paste	2 ounces	Portugal	.25	
Paris, France:				
Merluchons (hake)	About 4 ounces	France	.28	Tomato sauce.
Merlans (hake)	1 pound, oval	do	.31	Do.
Filet of mackerel	About 4 ounces	do	.21	
Do	8 ounces, squares	do	.28	
Sardines	About 4 ounces	do	.21	
Filet of anchovy	About 1 ounce		.13	In olive oil.
Do	2 ounces	France	.24	In oilive oil (semiconserved).
Salmon:				
Steelhead	½ pound, flat	United States	.87	
Smoked	do	do	.84	
Sardines	About 4 ounces	Morocco	.15	
Do	do	Portugal	.14	

See footnotes at end of table, p. 740.

Some canned-fish products and prices observed at random in various European markets, September 1948—Continued

Product	Can size	Where packed	Retail price [1]	How packed
Brussels, Belgium:				
Mackerel	8 ounces, oval	Not available	$0.39	Tomato sauce, slightly spiced.
Sardines	2 to 4 ounces	Portugal	.18- .34	In olive oil.
Do	3¼ ounces	United States	.11	Do.
Salmon	½ pound, flat	Not available	.31	Not available.
Red	1 pound, tall		.77	
Pink	do		.54	
Chum	do		.46	
Filet de Thon	4½ ounces	France	.42	
Tuna	8 ounces	do	.36	
Herring	do	Netherlands	(3)	In oil.
Brisling	4½ ounces	Denmark	(3)	Tomato sauce.
Herring	5 ounces	Not available	.27	Tomato sauce (pilchard style with olive oil).
Do	5 ounces, oblong	Belgium	.13	In tomato and oil (pilchard type).
Pilchard	15 ounces, oval	Japan	.36	In tomato sauce.
Bern, Switzerland:				
Sild	3½ ounces	Norway	.27- .29	Edible oil.
Filet of mackerel	Not available	France	.35	
Pilchard	1 pound, oval	United States	.47	
Salmon:				
Pink	1 pound, tall	Canada	.70	
Smoked	5 ounces, flat	Netherlands	.76	
Fish	About 1 pound, oval	do	.57	Pilchard style.
Tuna	About 3 ounces	France	.33	In olive oil.

[1] Approximate United States equivalent.
[2] These prices are considerably above relative United States cost price. It was reported that certain individuals in the trade have added seemingly excessive margins of profit.
[3] Not available.

Mr. JACKSON. I have one more short paragraph.

I want to now hand to you these briefs that we submitted to the House. More than 25 organizations of management and labor joined together in preparing the facts included in the large charts that Mr. Anderson will show you, and that are in the booklets that we are going to hand you. There are 25 organizations there, representing both management and labor.

The statement of the case, which we boiled down and made just as concise as we could, is on the second page, and the last page. The rest consists of charts, which will very rapidly show the committee what we are so much concerned with. It is entitled "The United States Fishing Industry Faces Facts." And the data were all obtained from official Government sources.

The CHAIRMAN. Mr. Jackson, will you have any statement from any of the witnesses regarding our own production of fish?

Mr. JACKSON. Yes, that is all going to be in the charts.

The CHAIRMAN. Our production?

Mr. JACKSON. Yes, sir.

The CHAIRMAN. All right.

Mr. JACKSON. Mr. Anderson of the Fish and Wildlife Service has agreed to explain the charts at this time.

Now, if you do not have these, I will ask that they be handed to you.

The CHAIRMAN. Do you wish Mr. Anderson to come up now?

Mr. JACKSON. Yes. He will explain the charts. And when he explains them, you will have duplicates in the books so that you can follow each chart.

Senator MILLIKIN. I would like to ask the witness some questions, but it may be that it would be better to have that later.

Mr. JACKSON. I think, Senator, that you would get the case better before you, if you saw these charts first.

The CHAIRMAN. Will you come around, Mr. Anderson?

STATEMENT OF ANDREW W. ANDERSON, CHIEF, COMMERCIAL FISHERIES BRANCH, FISH AND WILDLIFE SERVICE, DEPARTMENT OF THE INTERIOR

Mr. ANDERSON. My name is Andrew W. Anderson. I am Chief of the Branch of Commercial Fisheries, Fish and Wildlife Service, Department of the Interior.

A few days ago, representatives of the fishing industry called at the Fish and Wildlife Service and asked that certain factual data be assembled regarding the import and export situation in connection with fisheries. These data were assembled and turned over to the fishing industry representatives. They had these charts prepared; and later they asked if I would explain them, inasmuch as they had been prepared in our Service.

The CHAIRMAN. Just proceed and tell us about it, Mr. Anderson.

Mr. ANDERSON. The first chart is entitled "United States Foreign Trade in Edible Fishery Products." It covers the period from 1934 to 1948.

The CHAIRMAN. Will you let me ask you this question, to start with: Does it cover all types of fish, including shellfish?

Mr. ANDERSON. Yes, sir.

When I speak of fish, I am including shellfish and finfish.

The CHAIRMAN. All right.

Mr. ANDERSON. This chart, however, pertains just to edible fish, not to the nonedible products.

The chart shows that back in 1934–38, the difference in the value of exports and the value of imports was rather small. Exports were about $13,000,000 and imports were about $28,000,000. But in the intervening period up to 1948, including the war, the exports increased slightly, and then during the last year they dropped off very sharply, to about $20,000,000.

Meanwhile, the imports have increased more or less steadily, and in 1948 reached a value of $100,000,000. We see no reason, from current information, to think anything other than that the import line will continue onward and upward and that the export line will continue downward [indicating].

Senator MILLIKIN. How much has the market for fish increased during the period that you are discussing?

Mr. ANDERSON. The market in this country has remained about the same. The per capita consumption has been around 10 or 11 pounds for quite a few years now.

Senator MILLIKIN. That did not change during the war, when there was a shortage of meat?

Mr. ANDERSON. Yes; it decreased during the war, particularly in canned fish, because most of our canned fish was shipped to Europe under lend-lease. And it dropped to about 8 or 9 pounds per capita at that time.

Senator MILLIKIN. During the war the fish consumption dropped?

Mr. ANDERSON. That is correct.

The CHAIRMAN. You mean the canned fish, the fresh fish, or both?

Mr. ANDERSON. Particularly the canned fish.

The CHAIRMAN. Particularly the canned fish, because of such large shipments abroad.

Mr. ANDERSON. Yes.

The CHAIRMAN. With preference to the drop in exports there, that drop is accounted for in part, is it not, by the return of these countries to the fishing industry themselves? Are they not supplying more of their demands?

Mr. ANDERSON. Not completely, I would say, Mr. Chairman. Because the drop in exports has been largely in canned salmon and in canned sardines, which are two products which are not produced in the foreign countries; canned salmon in particular.

The CHAIRMAN. It is a dollar problem?

Mr. ANDERSON. It is a dollar problem.

The CHAIRMAN. Senator Millikin?

Senator MILLIKIN. I was going to say that canned sardines are a foreign product, are they not?

Mr. ANDERSON. Well, it is a different type of sardine. I was speaking of what we call the California sardine, or pilchard, that comes in the pound oval can, and the Maine sardine.

Senator MILLIKIN. What are your great fishing nations, in Europe?

Mr. ANDERSON. What are the great fishing nations?

Senator MILLIKIN. Yes.

Mr. ANDERSON. Norway, Iceland, United Kingdom, Spain, and France.

Senator LUCAS. From what nations do we get most of our imports?

Mr. ANDERSON. We get a lot of our imports from Canada. We get a lot from Newfoundland, and some from Iceland. We get canned products from Norway, France, and Portugal. The major part of our imports, though, come from Canada.

Mr. JACKSON. And South Africa.

Senator LUCAS. How does the quality compare with ours?

Mr. ANDERSON. The quality of imported products generally is excellent. It is just like when you enter any market. You try to produce the best possible product. And in some cases I think their products are better than ours.

Senator MILLIKIN. I would like to go a little further with the chairman's question.

Have you finished, Senator Lucas?

Senator LUCAS. Yes.

Senator MILLIKIN. At the close of the war, was that not the first opportunity for these European fishing nations to restore their business to its normal function?

Mr. ANDERSON. Yes, sir.

Senator MILLIKIN. Well, have they not increased their fishing as a result of that?

Mr. ANDERSON. I would say a good many of them have; yes, sir.

Senator MILLIKIN. Norway, for example?

Mr. ANDERSON. Norway, Iceland, the United Kingdom. Practically all of them are rebuilding their fleets back to prewar size, or about that. But the fleets that they are building are much more efficient than the prewar fleets. They produce more fish per boat, or per man.

Senator MILLIKIN. Now, are you in a position to answer the question that Senator Byrd asked, as to how far our own money has gone in the rehabilitation of that foreign industry?

Mr. ANDERSON. I am sorry, I couldn't do that. I don't have enough definite information about it to give a satisfactory answer.

Senator MILLIKIN. Mr. Chairman, before we get off into all these charts I would like to have a little basic information on the fishing business.

Who sends the fish into this country? What foreign countries put their fish in here? Shellfish, fresh fish, frozen fish? I would like to have something against which to balance these charts.

Mr. ANDERSON. Well, I can endeavor to tell you that. Canada is one of the countries that sends a lot of fish into this country.

The CHAIRMAN. What type?

Mr. ANDERSON. Groundfish fillets is one important type. Now, in groundfish we include cod, haddock, hake, cusk, pollock, and rosefish.

Senator MILLIKIN. Fresh?

Mr. ANDERSON. Fresh and frozen.

Senator BYRD. Can you give the dollar value of the imports from Canada?

Mr. ANDERSON. Yes. The imports from Canada in 1938, of all fish products, were about $20,000,000. In 1948, 10 years later, they were about $60,000,000. They about tripled.

Senator BYRD. Sixty percent, then, of the imports come from Canada. I understand you or someone to say that the total was $100,000,000.

Mr. ANDERSON. It is $100,000,000 now.

Senator BYRD. Sixty percent comes from Canada, then?

Mr. ANDERSON. I would assume about that. Canada is the most important country.

Sentor MILLIKIN. How large is the increase in terms of poundage or units, or however you measure fish other than by dollars?

Mr. ANDERSON. In 1938 our total imports of edible fish were 302,000,000 pounds. In 1948 they will be 450,000,000 to 500,000,000 pounds.

Senator BYRD. What is the value of the imports from Iceland?

Mr. ANDERSON. The imports from Iceland, I believe last year were about 5,000,000 pounds; probably something around $1,000,000, maybe a little more.

Senator BYRD. That leaves about 35,000,000 approximately. How is that distributed to other nations?

Mr. ANDERSON. Other countries that send products to the United States include Norway, for example, a country that ships us a lot of Norwegian sardines, and Mexico, which ships in a lot of fresh and frozen shrimp. South Africa and some other countries ship in frozen lobster tails. France and Portugal ship in canned sardines. Newfoundland ships in salt fish, fillets, and lobsters.

There is quite an importation of tuna now, coming from such countries as Peru and Chile and Angola, and a little from Japan.

Senator BYRD. And you look for an increase in the present imports?

Mr. ANDERSON. Right at the present moment that is the trend. We have heard nothing that would indicate that the imports were going to slack off. In fact, it has been the other way around; because all the countries seem to be improving their fishing gear and stressing the fishing effort. And many of them have spoken, in trade reports, of producing more fish in order to get more dollars.

Senator BYRD. And we have a surplus in this country that we could export if the dollar could be straightened out. Is that correct?

Mr. ANDERSON. Yes, I think if the dollar situation were straightened out, we could export more fish.

Senator MILLIKIN. To which countries did we export fish, when we were able to do it?

Mr. ANDERSON. We exported a large amount of salmon, for example, to England.

Senator MILLIKIN. Canned salmon?

Mr. ANDERSON. Canned salmon; between, I believe, a half and three-quarters of a million cases annually. I don't believe a case has gone to England this past year.

Senator MILLIKIN. What other exports did we have?

Mr. ANDERSON. Canned sardines was the other product that we exported in large amount. Some went to Europe. Quite a lot went to Europe during the war period. Prior to that we had quite large markets in Asia; in the Philippines, for example.

Senator MILLIKIN. You could not compete with a Portuguese sardine in Portugal or a French sardine in France?

Mr. ANDERSON. They were not competitive. The French and the Portuguese sardines were small high-priced cans of sardines, whereas the sardines that we exported were either the large pound oval California sardines or the ¼ oil Maine sardines. There was a considerable difference in price. Ours were much cheaper.

Senator MILLIKIN. Would it be true that what you exported was canned products?

Mr. ANDERSON. Most of it.

Senator MILLIKIN. If we exported any fresh fish, to whom did we export?

Mr. ANDERSON. I doubt that we exported much in the way of fresh fish, except possibly oysters, to Canada. We have exported shellfish to Canada.

Senator BYRD. How about frozen fish?

Mr. ANDERSON. I don't recall that we have exported frozen fish in any large volume; except that prior to the war we did export frozen salmon to both England and France; and possibly halibut.

Senator MILLIKIN. I wonder if you could summarize for us where we get fresh fish that is imported, where it comes from, where canned fish comes from, that comes in here, and where frozen fillets come from that come in here.

Mr. ANDERSON. I would say that most of our fresh fish comes from Mexico, Newfoundland, and Canada, and probably some from Cuba.

Senator MILLIKIN. Is that sizable?

Mr. ANDERSON. Yes, that is quite an appreciable amount, particularly from Canada.

Senator MILLIKIN. All right. Go ahead.

Mr. ANDERSON. Our salted fish is imported mostly for Puerto Rico. It would come also mostly from Canada or Newfoundland.

Senator MILLIKIN. Do we not get salted fish? What do you call finnan haddie, for instance? Is that what you call a smoked fish?

Mr. ANDERSON. That is a smoked fish.

Senator MILLIKIN. Go ahead.

Mr. ANDERSON. Our frozen fish would come primarily from Canada, from Newfoundland, from Icland, and recently some from Norway, and from South Africa, Cuba, Japan, Peru, and Chile. I think that would cover the most important countries, as to the frozen fish.

Senator MILLIKIN. Now you are up to your canned fish category.

Mr. ANDERSON. Some canned fish would come from Canada. Quite a lot would come from Norway. That would be canned sardines. Also canned sardines would come from France and from Portugal, and canned tuna from Peru and Chile. And there are a number of other countries that send in tuna in small amounts. I think there are 15 or 18 of them. Canned lobsters come from South Africa, Newfoundland, and Canada.

Senator MILLIKIN. What competition do you expect from Japan when she is rehabilitated?

Mr. ANDERSON. Well, that is a difficult question to answer. I think the industry people who testified before the Merchant Marine and Fisheries Committee, as I recall it, expected a lot of competition from Japan when things are eventually straightened out.

Senator MILLIKIN. That was one of her great prewar businesses, was it not?

Mr. ANDERSON. That is correct.

Senator MILLIKIN. And we did import a lot of crabmeat and a lot of other things of that kind into this country?

Mr. ANDERSON. Crabmeat and tuna and swordfish and things like that.

Senator MILLIKIN. That comes into direct competition with the west coast, does it not? The tunafish factories and the crabmeat processors, and so forth.

Mr. ANDERSON. Yes, sir.

Senator MILLIKIN. All right.

Senator BYRD. Could I ask a question? What is the value of the fish used for fertilizer purposes?

Mr. ANDERSON. Practically no fish goes into fertilizer any more, because the market for that is much lower than for fish meal, for use in animal feeding. But about a third of the fish caught, about a billion and a half pounds, is used for fish meal or fish oil. But, as I say, practically no fish goes into fertilizer any more. Fish used directly for fish meal probably averages $40 per ton.

Senator BYRD. It did until recently, did it not?

Mr. ANDERSON. No, I would say it has been a good many years since any appreciable amount has been used for fertilizer.

Senator BYRD. We have some fish in Virginia, in the Chesapeake Bay, that are used for fertilizer.

Mr. ANDERSON. Yes, you use a small amount. But in comparison to the total catch of your menhaden fishery, I think you will find it is very small.

Senator BYRD. Some years ago that was a very large industry.

Mr. ANDERSON. There is still a very large industry based on menhaden in Virginia and the coastal States. But the market for fish meal for animal feeding is much greater than the market for fertilizer so that is where the bulk of it goes.

Senator MILLIKIN. I remember, Senator Byrd, that just within the last year or year and a half, I saw an enormous factory up in the Cape May country. I say "I saw it"; you did not have to see it—you could smell it. I was told they were using fish exclusively for fertilizer.

Mr. ANDERSON. I think they are using the term rather loosely. That was the original use for most of the fish. This term is just like in a

lot of other things in the fishing industry. Up in Boston, for example, they talk about their vessels as "steamers" although they no longer use steam but only Diesel power.

The CHAIRMAN. Your imports for that purpose now are not very heavy, are they?

Mr. ANDERSON. I don't recall that there is any fish product imported for use as fish meal or fish oil.

The CHAIRMAN. At this time?

Mr. ANDERSON. None, at any time.

Now, obviously they would use the waste from some of the products that are imported. Take, for example, herring. They are imported into Maine and canned there in the factories. The waste from the canning process is made into fish meal and fish oil.

Senator MILLIKIN. Can you give us, in summary fashion, the type of fish, our own domestic fish production, coming down the Atlantic coast, from New England, coming down to Georgia and Florida, and going over to the Pacific coast? What is the nature of the fishing that we do there?

Mr. ANDERSON. Well, starting with Maine, your primary fisheries there are for herring. They are canned as sardines. Also, there are lobsters. Then, of course, there are groundfish and there are some shore fish of small varieties.

Then you run into your huge groundfish fishery off New England, which is based on the cod and the haddock and the hake and the pollock and the rosefish. There are also sizable flounder, mackerel, and whiting fisheries there. In New England you start with your shellfish industries, your scallops and oysters particularly. Clams are found in Maine, and from there on south, all the way south to Florida.

In the Middle Atlantic States you run into oyster fisheries and scallop fisheries; also, there are whiting, flounders, and soles, and a very large variety of fish that are not produced in as large amounts as the groundfish. You get into such things as sea trout, sea bass, shad, butterfish, and scup. Then you also run into your very large menhaden fishery which is utilized almost exclusively for meal and oil.

During the recent years that has been the largest fishery in the country—running about a billion pounds annually.

As you go farther south, toward Florida, you pick up mullet and other species, such as king mackerel, Spanish mackerel, pompano—varieties that are a little higher priced and not quite as abundant. You also run into your shrimp fisheries, starting about North Carolina. That fishery goes clear around Florida and around the Gulf to Texas.

Senator BYRD. Do not forget the soft-shell crabs in Chesapeake Bay.

Mr. ANDERSON. Thank you, Senator.

Senator BYRD. The best of all.

Mr. ANDERSON. In Chesapeake Bay you have a very prolific fishery for soft-shell crabs, for example.

Senator BYRD. Is that not the only area in which soft-shell crabs are produced?

Mr. ANDERSON. No; there are other areas. They do not produce them in nearly the volume that the bay does.

Senator MILLIKIN. You have a very big canned-crab business in Louisiana.

Mr. ANDERSON. That is correct.

Senator MILLIKIN. I came across some canned crab from South Carolina the other day. Does Florida participate in any of that crab business?

Mr. ANDERSON. To some extent; yes, sir.

Senator MILLIKIN. Louisiana has an enormous shrimp business, has it not?

Mr. ANDERSON. Yes. In the whole Gulf from Texas right on around to Florida there is very large shrimp production.

Senator MILLIKIN. Now, what are the sources of competition as to that particular domestic industry that you have described? Canada, on the one side?

Mr. ANDERSON. Canada competes.

Senator MILLIKIN. And Mexico?

Mr. ANDERSON. Mexico.

Senator BYRD. Cuba?

Mr. ANDERSON. And Cuba; and then, of course, such countries as Iceland and Norway—countries which produce frozen fillets.

Senator LUCAS. What are the categories of fish that we import into this country which our fisheries do not produce?

Mr. ANDERSON. Oh, there are certain delicacies. They will import Dover sole, for example, and varieties like that from Holland and England. We also import certain luxury products, like Portuguese sardines.

Senator LUCAS. For all general purposes, then, we produce as far as our fishing industry is concerned, the same type and kind as they do in every other part of the world.

Mr. ANDERSON. Substantially, yes.

The CHAIRMAN. All of our higher priced sardines come from Norway, Portugal, France?

Senator MILLIKIN. And Spain.

Mr. ANDERSON. Yes. Sardines and anchovies. Cocktail products.

The CHAIRMAN. Well, suppose you proceed now with your maps.

Senator MILLIKIN. Mr. Chairman, could I get just a little picture now on the west coast in the same way?

Can you give it to us fast?

Mr. ANDERSON. Well, starting in California you have some very large fisheries. You have the tuna fishery, the mackerel fishery, the California sardine fishery, formerly the most important. As you go farther north, in Oregon and Washington you pick up the salmon fisheries. They also have a tuna fishery, and they have a smaller sardine fishery.

As you get into the Pacific Northwest, you also pick up more of an otter trawl fishery for groundfish. As you go north into Alaska you of course think first of the enormous salmon fishery there. Then there is a very large herring fishery and a very large halibut fishery. The groundfish fishery has not been prosecuted yet to any extent, but there are large volumes of groundfish available there.

Senator MILIKIN. Do they have any fresh fish competition on the Pacific coast?

Mr. ANDERSON. To some extent from Canada; yes, sir.

Senator MILLIKIN. Has Mexico sent anything out?

Mr. ANDERSON. Mexico also sends products into California.

Senator MILLIKIN. Would the bulk of their competition be canned products?

Mr. ANDERSON. No, sir; I think competition from Canada and Mexico would be fresh and frozen. Canada, for example, sends in fresh and frozen halibut, fresh and frozen salmon, and also some groundfish.

Senator MILLIKIN. While the Japanese were going, they gave quite a little competition in crab meat.

Mr. ANDERSON. That is correct.

Senator MILLIKIN. All right. Thank you very much.

The CHAIRMAN. You may proceed with your charts, Mr. Anderson.

Mr. ANDERSON. The next chart is entitled "U. S. Imports of Groundfish Fillets for Consumption, 1938–48."

Beginning in 1938, as the chart shows, the imports of groundfish fillets were about 10,000,000 pounds, and remained so until 1941. Then they started a very definite climb and have continued that way ever since, to 1948, when they reached a record total of about 54,000,000 pounds. In 1938, as I say, they were only 10,000,000.

The decline in 1947 was caused by a drop in the imports from Canada. For about 5 months there was a labor dispute there, and the vessels were tied up, so they didn't produce the fish they normally would have.

Senator MILLIKIN. I want to peg the point again: Did you have an increase in domestic production comparable, or whatever the relation may be, to that ascending line on that chart that you have just shown us?

Mr. ANDERSON. The next chart will show that.

Senator MILLIKIN. I see. Go ahead.

Mr. ANDERSON. This chart is entitled "Index of Poundage of Production of Frozen Fishery Products and Index of Poundage of U. S. Imports of Groundfish Fillets for Consumption." It also covers the period from 1938 to 1948.

In this chart we are taking 1938 as 100. As to the question you just asked, this shows the increase in United States production of frozen fishery products over this period. It is about 62 percent. At the same time, the imports of groundfish fillets went up to about 489 percent.

Senator MILLIKIN. What was the increase in our population during that period?

Mr. ANDERSON. In 10 years? I am sorry, I couldn't say off-hand.

Senator MILLIKIN. Twenty-five or thirty million people?

Mr. ANDERSON. No, in 10 years I wouldn't think it would be more than 10 million. I am told it is no more than 10 million.

Senator MILLIKIN. Is that United States production line in terms of per capita consumption, or in terms of poundage, or what?

Mr. ANDERSON. This is in terms of actual poundage. In other words, our production, so far as volume is concerned, increased about 62 percent in that 10-year period. Whereas the imports increased—I think the figure is 489 percent.

Senator MILLIKIN. Now, you will have a chart, I assume, on our domestic production.

Mr. ANDERSON. I think that will come up; yes, sir.

The next chart is entitled "Percentage Relationship of Imports of Groundfish Fillets to United States Production of Frozen Fishery

Products." This also covers the period from 1938 to 1948. In 1938, the imports represented 5 percent of our frozen fish production. In 1948 that has gone up to 18.6 percent.

The CHAIRMAN. That is frozen fish?

Mr. ANDERSON. Yes, sir. That is frozen fish. The picture is about the same when you compare our production of fillets with imported fillets. The figures there, as I recall them, are about 9½ percent in 1938, and about 34 percent at the present time.

This chart is entitled "Relationship of Duties and Import Prices of Fresh and Frozen Fillets," for the years 1939, 1943, and 1948.

Beginning in 1939, they changed the duty on groundfish fillets entering this country. The first 15,000,000 pounds, or 15 percent of the previous 3 years' consumption entered at 1⅞ cents per pound. Everything over that paid 2½ cents per pound, but there was no limit; you could import as much as you wanted. But at that time, in 1939, when you had duties of 1⅞ cents to 2½ cents, the value of the fillets at the Canadian border was only 6.7 cents. Since that time the price of fishery products has been going up.

In 1943, the duties remained the same, but the value of the fillets has gone up to 16.6 cents.

In 1948, the duties were still the same, but the values of the fillets have gone to 20.4 cents.

The next chart will show that relationship a little differently.

Senator MILLIKIN. What has increased the value of the fillets that much?

Mr. ANDERSON. Labor costs, for example. They pay the fisherman more for his fish. They pay the laborer more for his hire. Packaging costs more.

Senator MILLIKIN. Has there been any shortage of fish?

Mr. ANDERSON. No, I don't think shortage of fish has had anything to do with it.

This chart is entitled "Relation of Import Duty to Import Price of Fresh and Frozen Groundfish Fillets." It covers the years from 1939 to 1948 and shows the protective effect. In other words, in 1939, when the price of fillets was 7.6 cents the duty amounted to 33 percent.

At the present time, when the price of fillets has gone up to over 20 cents, the duty only amounts to 12 percent.

Senator MILLIKIN. What do you draw from that?

Mr. ANDERSON. Well, I think the obvious conclusion is that it is much easier for the importer to market his fish in this country.

The CHAIRMAN. Why is it much easier?

Mr. ANDERSON. He has a much lower duty to pay now than he did 10 years ago in proportion to the value of the fish.

The CHAIRMAN. You mean the duty is lower in proportion to the value. Measured by the value of his fish, the duty is the same, but it becomes lower as that price goes up.

Mr. ANDERSON. It is less of a hindrance to him in shipping his fish into this market.

Senator MILLIKIN. You do not have an ad valorem duty? There is a specific duty?

Mr. ANDERSON. Yes, sir. There is a specific duty.

The CHAIRMAN. All right.

Mr. ANDERSON. You see, 10 years ago, about a third of the value of his product had to be paid in duty before he could put it into this country.

The CHAIRMAN. Of course, all rising prices reduce the effective rate of a specific duty.

Mr. ANDERSON. Of a specific duty; yes, sir.

The CHAIRMAN. They are bound to.

Mr. ANDERSON. The next two charts show some of the advantages that the foreign countries have in producing their products. This chart is entitled "Average Price of Cod as Landed in United States and Canada." It covers the period from 1936 to 1945.

In 1936, there was a difference of only about 1 cent in the price of cod in the United States and in Canada. That price difference now has changed to about 2½ cents. Canada is buying its fish about 2½ cents cheaper than the United States producers do. That automatically makes a price difference of about 6 cents in the manufactured fillet, because it takes 2½ pounds of raw fish to make one pound of fillet, the fillet being only the edible portion of the fish, one side of it.

Senator BYRD. What recovery do you get from the rest of the fish?

Mr. ANDERSON. The rest of the fish in practically all instances is made into fish meal. They call it whitefish meal.

Senator BYRD. What percent does that represent?

Mr. ANDERSON. That represents about 60 percent of the fish, for cod. It varies with different fish. With rosefish, you recover only 30 percent for fillets. You don't lose the remainder but you do have to turn about 70 percent into waste for manufacture into fish meal and oil.

Senator BYRD. You are speaking of quantity, or dollars?

Mr. ANDERSON. I am speaking of the poundage basis.

Senator BYRD. How much would it be on a money basis? In other words, what percent of the byproducts of the fish result in cash income, as compared to the percentage of the fish that is edible?

Mr. ANDERSON. I am sorry. I couldn't answer that. Possibly one of the industry witnesses who will appear later could.

Senator MILLIKIN. Is that differential due to a differential in labor costs?

Mr. ANDERSON. I presume it is due to the fact that possibly living standards are lower in Canada. They pay less to their fishermen. This chart indicates the price to the fisherman.

Senator MILLIKIN. The fish in the ocean does not have a price tag on it. So the question is how much it costs you to get it out.

Mr. ANDERSON. That is right.

Senator MILLIKIN. And I am trying to develop what the reason is for that differential.

Mr. ANDERSON. Well, the actual reason is that we just pay our fishermen more here for catching the fish than they do in these other countries.

Senator BYRD. How much more. What percent?

Mr. ANDERSON. In 1945 the different prices were about 3½ cents and 6 cents; not quite double.

Senator BYRD. Those figures are what the fishermen get?

Mr. ANDERSON. Those are what the fishermen get.

Senator BYRD. It is on a pound basis, 3 cents a pound as compared to 6 cents a pound?

Mr. ANDERSON. Yes, sir.

Senator MILLIKIN. Does the working fishermen get paid by the day, or by hour, or does he get a part of the return? Or how is he paid?

Mr. ANDERSON. Normally, in most cases, he gets a share in the catch.

Senator MILLIKIN. Does he have a base pay which is on top of it, or does he gamble on the return?

Mr. ANDERSON. Usually he doesn't have a base pay, although in some instances there may be a very nominal figure that he would get if the vessel broke down, or they didn't catch any fish at all. But normally he is paid solely on a share in the catch.

Senator MILLIKIN. I do not quite see where the wage differential comes, then. A ship goes out from a Canadian port and it captures a given amount of fish. A ship goes out from an American port and it captures a given amount of fish. Is the labor involved in both of those ships figured on the same basis? Do they work on the same basis, to wit, a share of the product?

Mr. ANDERSON. They put in substantially the same amount of work; yes, sir.

Senator MILLIKIN. But as to the return for that work, do we give a larger percentage of the product to the working fisherman?

Mr. ANDERSON. There will be some industry witnesses here who can answer that. That would vary throughout different countries. In our country I think we do give a larger share to the fisherman.

Senator MILLIKIN. I think it is very important that we account for the differential.

The CHAIRMAN. Perhaps some of the industry witnesses will cover that point.

Mr. ANDERSON. This chart is entitled "Comparison of Groundfish Processing Costs." It covers the period from 1938 to 1948. In 1938 and 1939 the difference in processing cost was very small, only about a half cent. As we get up to 1947, we find that the difference in processing cost between the United States and Canada was over 4 cents.

The figures for 1938 to 1944 are based on actual cost in processing plants. We had no data from 1944 to 1948, so we extended it on a basis of over-all industry wages. On this basis the difference in 1948 is 4 cents.

Senator BYRD. Are those wages on an hourly basis in the process?

Mr. ANDERSON. On an hourly basis.

Senator BYRD. What is the difference between the rate here and in Canada?

Mr. ANDERSON. I couldn't tell you the exact wages, but I think the industry witnesses, again, can testify as to that.

Senator BYRD. You have it on a pound basis, as I understand it.

Mr. ANDERSON. This is on a pound basis, on producing 1 pound of fillets.

Senator BYRD. And what is the difference, as to the pound basis?

Mr. ANDERSON. In 1948 in Canada the costs were 15 cents. In the United States they were a little over 19 cents; about a 4-cent difference.

Senator MILLIKIN. Now, a boatload of the raw fish comes into an American port. What does this processing involve? What do you do in the way of processing?

Mr. ANDERSON. This processing would include the costs of handling the fish after the vessel was unloaded, handling it in the processing plant, cutting the fillets, and packaging it.

Senator MILLIKIN. The processing plant would include the refrigerating plant?

Mr. ANDERSON. It might not include a refrigerating plant, because frequently the fish are prepared in a small individual plant, and then they are transferred to a large cold-storage warehouse and frozen.

Senator MILLIKIN. It might be a canning plant?

Mr. ANDERSON. No, this wouldn't cover canning.

Senator MILLIKIN. You are talking just about frozen fillets.

Mr. ANDERSON. Yes, sir.

Senator MILLIKIN. So explain it again. We have landed our fish at the dock? What happens?

Mr. ANDERSON. You would land your fish at the dock. The vessel would be unloaded and the purchaser of the fish would take the fish to his particular plant.

Senator MILLIKIN. Now, that plant would be what? That would be designed to freeze, or to do what?

Mr. ANDERSON. No; that plant normally would be designed only to fillet the fish. The freezing would be done in a large cold-storage warehouse.

Senator MILLIKIN. I see. Then it moves on to that other step, of freezing.

Mr. ANDERSON. That is right.

Senator MILLIKIN. But your costs include all of these factors.

Mr. ANDERSON. That is right, except the freezing.

Senator MILLIKIN. The handling at the dock, the getting of the fish to this filleting plant? Do you call it a filleting plant, or what do you call it?

Mr. ANDERSON. A filleting plant.

Senator MILLIKIN. And then it goes from there to the refrigerating plant?

Mr. ANDERSON. That is right.

Senator MILLIKIN. And these are all the costs that are included. And roughly there would be the same items in Canada as there would be in the United States.

Mr. ANDERSON. Yes, sir.

Senator MILLIKIN. All right.

Mr. ANDERSON. And this chart shows the imports of another product, and how it has increased in recent years. The chart is entitled, "United States Imports of Shrimp." And it covers the period from 1938 to 1948, with the last year being estimated.

Most of the shrimp are imported from Mexico. As you can see, from 1938 up to about 1942 the level remained around 4,000,000 pounds and then started up, and it has increased very appreciably in the last 2 or 3 years.

Senator MILLIKIN. Has there not been a very substantial increase in the consumption of shrimps, due to the ability to refrigerate them and ship them in modern days as distinguished from older times?

I remember, for example, that you could not get a fresh shrimp in Denver at one time. Now, however, we can get as fresh a shrimp in Denver as you can get any place.

Mr. ANDERSON. I think that is true. The catch of shrimp has increased somewhat in recent years. More shrimp have been sold fresh and frozen and fewer have been canned.

The CHAIRMAN. Well, they have the frozen, and they have the dry pack. And you say that the shrimp catch in the United States off our shores has remained about the same?

Mr. ANDERSON. The over-all catch for the United States as a whole has increased from 150,000,000 in 1940 to 191,000,000 in 1945 and is estimated to be about 175,000,000 pounds for 1948.

The CHAIRMAN. And there has been a noticeable fall-off in shrimp catch off our coast?

Mr. ANDERSON. I think that is true for the last year or two.

The CHAIRMAN. Yes. It takes twice as many boats to bring in the same number of shrimp.

Mr. ANDERSON. And I think you will find also that the catch per boat over the country has fallen off. They have put more boats into the fishery and maintained the same volume.

The CHAIRMAN. For a while it looked like we were headed toward a depression of the shrimp industry along our immediate coast, due to the enormous catches that were made; that is, the constant dragging for them all the time.

Senator MILLIKIN. I did not get a quite satisfactory answer to my question as to whether the consumption per capita has increased in the shrimp business.

Mr. ANDERSON. I think it has, because the over-all catch has increased somewhat and imports are greater.

Senator MILLIKIN. But that might account for your imports. That is exactly what I am driving at. That might account for the increase in imports. And the question, I suggest, is important.

Mr. ANDERSON. Well, I think it has increased.

Senator MILLIKIN. If your domestic industry continues to produce on a level, and if your domestic consumption has increased, obviously, that might have a bearing on your imports.

Mr. ANDERSON. I think that is true. Because although the shrimp catch has increased slightly since 1940, our population, of course, has also gone up, but, at the same time, less canned shrimp has been produced, and more of that has gone into fresh and frozen products. Then, on top of that, the imports from Mexico have become greater. So there probably has been some increase in per capita consumption of shrimp. Certainly it has been more widely distributed and is more widely available throughout the country.

The next chart is entitled "United States Exports of Edible Fishery Products." It covers the period from 1934 to 1948. The top line of the graph shows the total exports of United States edible fish. The shaded portion shows the volume that goes to Europe. And, as might be seen, the exports to Europe represent the bulk of the exports.

In 1934 the total exports were 118,000,000 pounds. The exports to Europe were 61,000,000. During the war period, of course, the exports of fishery products increased tremendously because of the lend-lease situation. A very large amount of fishery products, canned fishery products especially, was shipped to Europe.

The decline in 1944, I believe, was due to the fact that the pipe lines were pretty well filled then, and there wasn't the need to ship as much. In the postwar period the exports started up again, but during the last year, 1948, they have dropped very sharply, and again, there, we see no reason to believe that the trend will be other than down. All

the reports we get on exports, primarily from salmon and sardine packers, are to the effect that their markets are almost nonexistent.

Senator MILLIKIN. What foreign countries produce canned salmon in quantity?

Mr. ANDERSON. Russia used to produce it, and presumably still does, but it is a closed area now, and we have no record on it. Canada produces a large amount in British Columbia.

Senator MILLIKIN. Is the reason, then, for that decline the dollar shortage?

Mr. ANDERSON. I would assume so. That seems to be the case particularly in England. The reason they have given for not purchasing salmon is that they feel they can use their dollars to better advantage.

Senator MILLIKIN. Are they putting any kind of trade hurdles against us that we cannot get over?

Mr. ANDERSON. Not in the case of salmon, other than that they are short of dollars. I have heard recently that they were negotiating with Russia to buy salmon.

Senator MILLIKIN. That sort of touches what I am getting at. Are the import quotas and the exchange restrictions and the other hurdles that they have in all those countries tending to destroy our competitive position there?

Mr. ANDERSON. Exchange certainly is. That seems to be the problem that we run against every time. For the Department of Agriculture, we had one of our marketing specialists visit a number of countries in Europe to see what the condition was insofar as markets for United States fishery products were concerned; how they could be developed. The primary reason that he found in all countries for not purchasing fish was lack of dollars.

Senator MILLIKIN. Of course, they have their own fish that they can eat.

Mr. ANDERSON. That is true.

Senator MILLIKIN. And they can shift from one type of fish to another and supply a considerable part of their needs with their own domestic fish. Is that not correct?

Mr. ANDERSON. That is correct. He found that a number of their countries were building up their own fishing fleets, developing their own fishery resources, and other countries, that formerly purchased from the United States, were now buying from countries in Europe that had started to produce increased volumes of fish, and where, of course, they did not have to use dollars.

Senator MILLIKIN. And the development of the industry that is going on over there will, of course, add additional import pressures in this coutnry, will it not?

Mr. ANDERSON. Those are the reports that we get; yes, sir.

The next chart shows a specific product that is exported. It is entitled "Exports of Sardines from the United States, 1934–38 Average, and 1939–48 Annual."

In the period from 1934 to 1938, we exported 42,800,000 pounds of sardines. Exports increased very abruptly during the war period, when they were used during lend-lease. In the postwar period exports still were fairly high. But in 1948 they declined to around about 20,000,000 pounds.

Senator MILLIKIN. It dropped below 1934 and 1938?

Mr. ANDERSON. Yes; it has dropped to a little over 20,000,000 pounds, as compared to 42,800,000 pounds in 1934.

Senator MILLIKIN. How do you account for that?

Mr. ANDERSON. It is the same situation. The countries that are buying the sardines apparently have other products that they prefer to spend their dollars for.

Senator MILLIKIN. Most of those seaboard countries over there have their own sardines, have they not?

Mr. ANDERSON. Some of them do; but they are of a different type, again, as I explained previously. Take the Philippines, for example. They have no developed fishery for sardines of the type that we produce; and at one time that was a very large market.

Senator MILLIKIN. Let me get it clear, again: To which countries did we export our sardines at the beginning of the time represented on your chart there?

Mr. ANDERSON. During this period a large portion went to such countries as the Philippines, and to other Asiatic countries, to some countries in South America and the Caribbean, and some to Europe.

Senator MILLIKIN. Have we been an important factor in competing in sardine-producing countries in Europe with our own sardines? In Portugal, in Spain, in Norway, in Sweden?

Mr. ANDERSON. I would say, "No." I believe not.

Senator MILLIKIN. So our market has been in countries which do not have important sardine industries.

Mr. ANDERSON. That is correct.

Senator MILLIKIN. And that has dried up?

Mr. ANDERSON. Yes, sir.

The next chart is entitled "ECA Purchases Visualized and Actual Allocations of Certain United States Products."

There was some hope in the fishing industry that under the ECA program considerable aid would be given to the developing of export markets. In coal, for example, for the first 9 months they visualized that participating countries would spend $191,500,000. They actually spent $162,800,000. In meat they visualized that they would spend $8,900,000 and they spent $11,100,000

Senator MILLIKIN. How much?

Mr. ANDERSON. 11.1 million dollars, a little more than was visualized.

Senator MILLIKIN. Is that edible horse meat?

Mr. ANDERSON. Edible horse meat; yes, sir.

Senator MILLIKIN. Canned? Or how do they ship that horse meat?

Mr. ANDERSON. I am sorry, I couldn't say. That was the figure that was given to me. That is for edible horse meat.

Senator MILLIKIN. All right.

Mr. ANDERSON. In fish, they visualized that they would spend 31.1 million dollars, but they have only been able to spend $800,000. In eggs, they visualized spending $16,700,000, and they spent $5,100,000.

Senator MILLIKIN. What are the reasons assigned for the actual figure on fish as distinguished from the anticipated figure?

Mr. ANDERSON. I think someone from ECA probably could explain that better, because there are apparently details of its program that are involved.

Mr. JACKSON. What we wanted to explain there, Senator, was that we expected to get some relief from exports, and it just didn't come about.

Senator MILLIKIN. I was wondering why it did not come about.

Mr. JACKSON. We have a letter from ECA which we could put in the record.

The CHAIRMAN. The ECA does not buy. They simply finance the purchase. And if the foreign country does not want to buy the fish, of course, they do not finance the purchase. That is the explanation they give with reference to other products, and I suppose it would apply to fish as well as to other food products.

Mr. JACKSON. But they do buy it from Newfoundland and Canada and the countries we can't compete with. They do buy it but not from us.

The CHAIRMAN. Well, they finance purchases, I suppose.

Mr. JACKSON. They finance purchases.

Mr. ANDERSON. There has been some mention made previously of the assistance that other governments were giving to their fisheries, and presumably, directly or indirectly, that results in pressure on our market here. This chart was drawn up to show some of the governmental programs that are under way in a number of countries throughout the world. They include such things as federal loans, subsidies, production or marketing programs, exploitation and development programs, exploratory work, inspection and extension services, government-owned plants, government schools for fishermen, concessions to outside interests, and state-owned operations.

Senator MILLIKIN. Do you have that in the form of a memo?

Mr. ANDERSON. We have it in part. It could be developed.

Senator MILLIKIN. It would not be much trouble to relate your legend to your map, would it?

Mr. ANDERSON. We could do that for the record.

Senator MILLIKIN. I think it would be a good thing to get in the record. Because what we are talking about here would be entirely unintelligible to anyone who reads the record.

Mr. ANDERSON. We will be glad to produce that for the record.

The CHAIRMAN. All right.

(The information and maps referred to are as follows:)

AID TO THEIR FISHERIES BY FOREIGN GOVERNMENTS

Argentine: Government 5-year program for expansion of fisheries.

Barbados: Government operating schools for fishermen; Government subsidies to fishermen.

Brazil: Government-sponsored fish trust to handle all sales of fishery products.

Canada: Subsidies to build fishing boats; governmental exploratory fishing vessels; $50,000 for extension and educational work in cooperatives, producing, and selling; Federal inspection of canned and salted fishery products and fresh-water fish; $150,000 for loans to fishermen for boats and gear.

Nova Scotia: Provincial inspection service of fishery products; schools and scholarships for fishermen; loans to fishermen and fishermen cooperatives.

Quebec: Thirty-seven cold-storage plants owned and operated by the Province.

Saskatchewan: Government-built fillet plants; Provincial fish marketing board to market all fresh-water fish.

Chile: Government corporation ($25,000,000 from U. S Export-Import Bank) promotes increased fishing and finances canning and freezing plants; subsidies granted for new freezing plants.

Costa Rica: Export of fishery products promoted by Government.

Cuba: $420,000 fund set up as subsidy for fisheries; governmental schools for fishermen.

Ecuador: Concession granted to French interests to build tuna cannery.

Mexico: Subsidies for use of fishermen cooperatives.

Newfoundland: Government Salt-Fish Marketing Board; Government standards and inspection of frozen fish, especially, fillets.

Peru: Subsidies granted to fishermen.

St. Pierre and Miquelon: $5,000,000 subsidy for fishing vessels and freezing plants; Government-built and operated filleting plant.

Venezuela: $18,000,000 Government corporation promotes fishery loans granted to fishermen; exploratory fishing by Government.

Belgium: Governmental loans to fishermen.

Denmark: In 1949 started exploratory fishing.

Germany: Four schools for fishermen.

Gold Coast: Fishery expansion program started.

Great Britain: Government loans and subsidies to fishermen in England and Scotland; exploratory fishing carried on not only in near-by waters, but the waters in the North Atlantic off the west and east coasts of Africa and in the Indian Ocean; governmental-backed program of expansion of fisheries in the colonies.

Greenland: In 1948 Government announced 5-year fishery expansion program.

Iceland: Governmental fish marketing board; loans to fishermen, exporters, and freezers; exploratory fishing to expand fishing grounds.

Norway: Governmental 4-year expansion program of the fisheries; 64 freezing plants and several canneries being built by Government.

Portugal: Government-sponsored exploratory fishing.

Union of South Africa: Government-sponsored export marketing company for spiny lobster tails; Government fishery development corporation ($4,000,000) to finance new canneries, cold-storage plants, and fishing harbors; exploratory fishing carried on in Tristan da Cunha and Prince Edward Island.

U. S. S. R. (Russia): Fisheries owned and operated by the government; in 1948, exploratory fishing by two fleets of vessels carried on in the North Atlantic; 5-year expansion program for the fisheries both in Europe and east Asia.

Australia: Loans to fishermen for gear and vessels; several schools for fishermen; government-sponsored fishermen cooperatives and marketing firms; exploratary fishing to expand fishing areas and demonstrate modern methods of fishing.

Tasmania: Exploratory fishing.

Ceylon: Government-sponsored exploratory fishing; government marketing of fish by offshore vessels.

India: $500,000 fund set up as subsidy to build fishing boats, freezers, and canneries; exploratory fishing to expand fishing grounds and teach fishermen modern fishing methods; loans to fishermen.

Iran: Government-sponsored fishing company to catch and market fish.

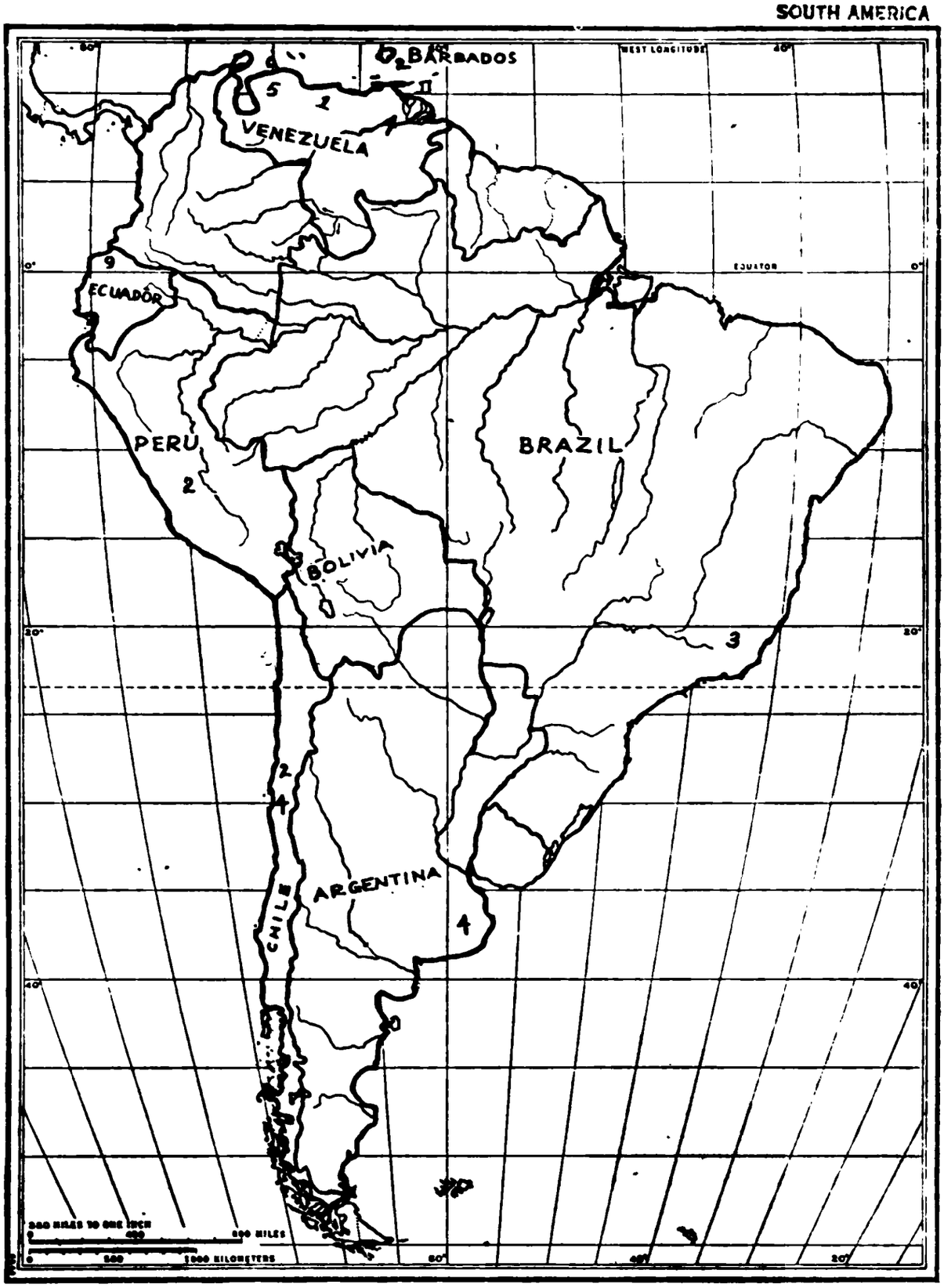
Japan: School for fishermen; government-sponsored cooperatives for fishermen.

Philippine Islands: Loans to fishermen cooperatives; schools for fishermen; government-sponsored development program for the fisheries; exploratory fishing.

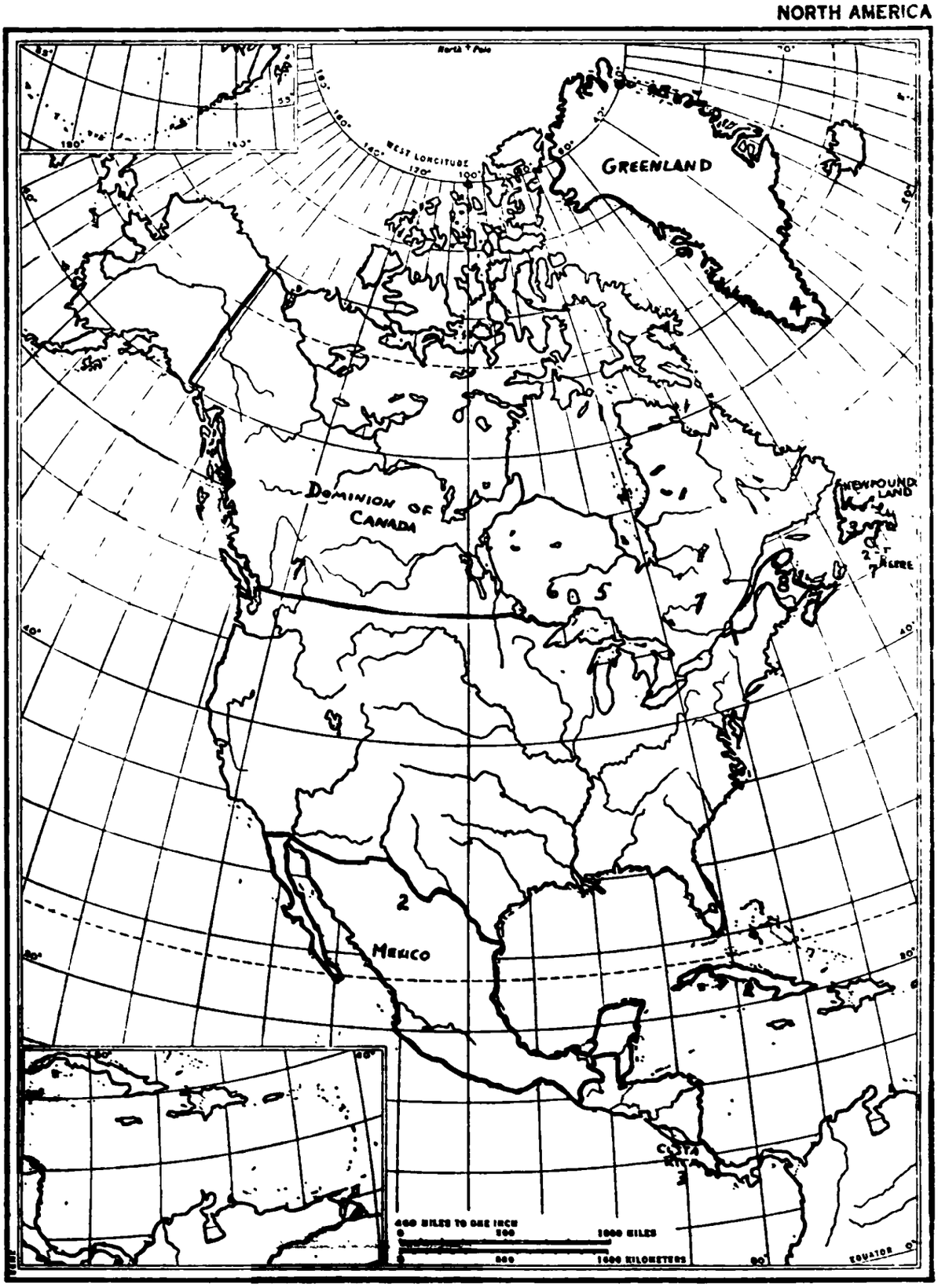
Governmental fishery legend

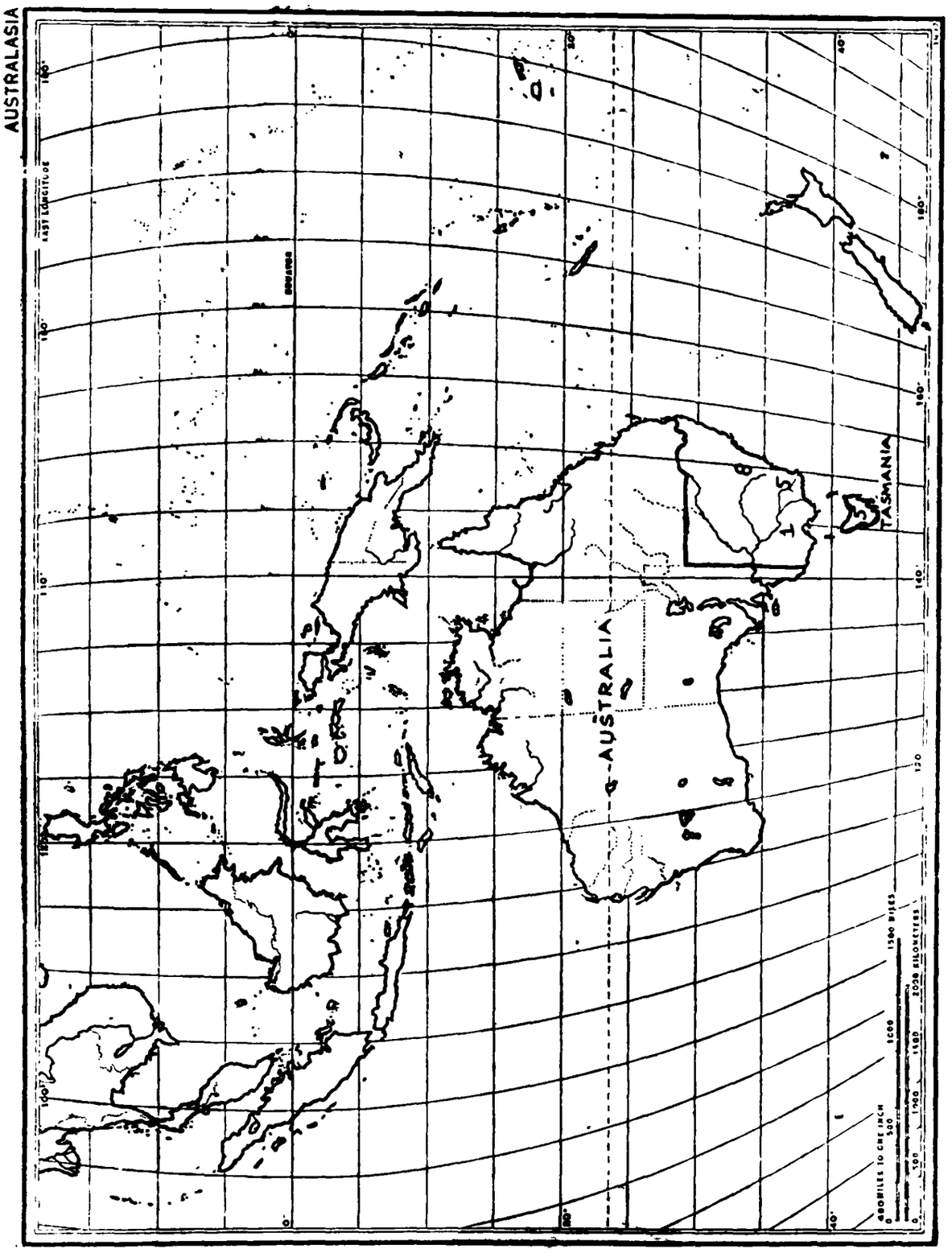
Loans	1
Subsidies	2
Production and marketing	3
Exploitation and development program	4
Explorations	5
Inspection and extension services	6
Owned plants, etc	7
Schools (for fisheries)	8
Concession to outside interests	9
State-owned operations	10

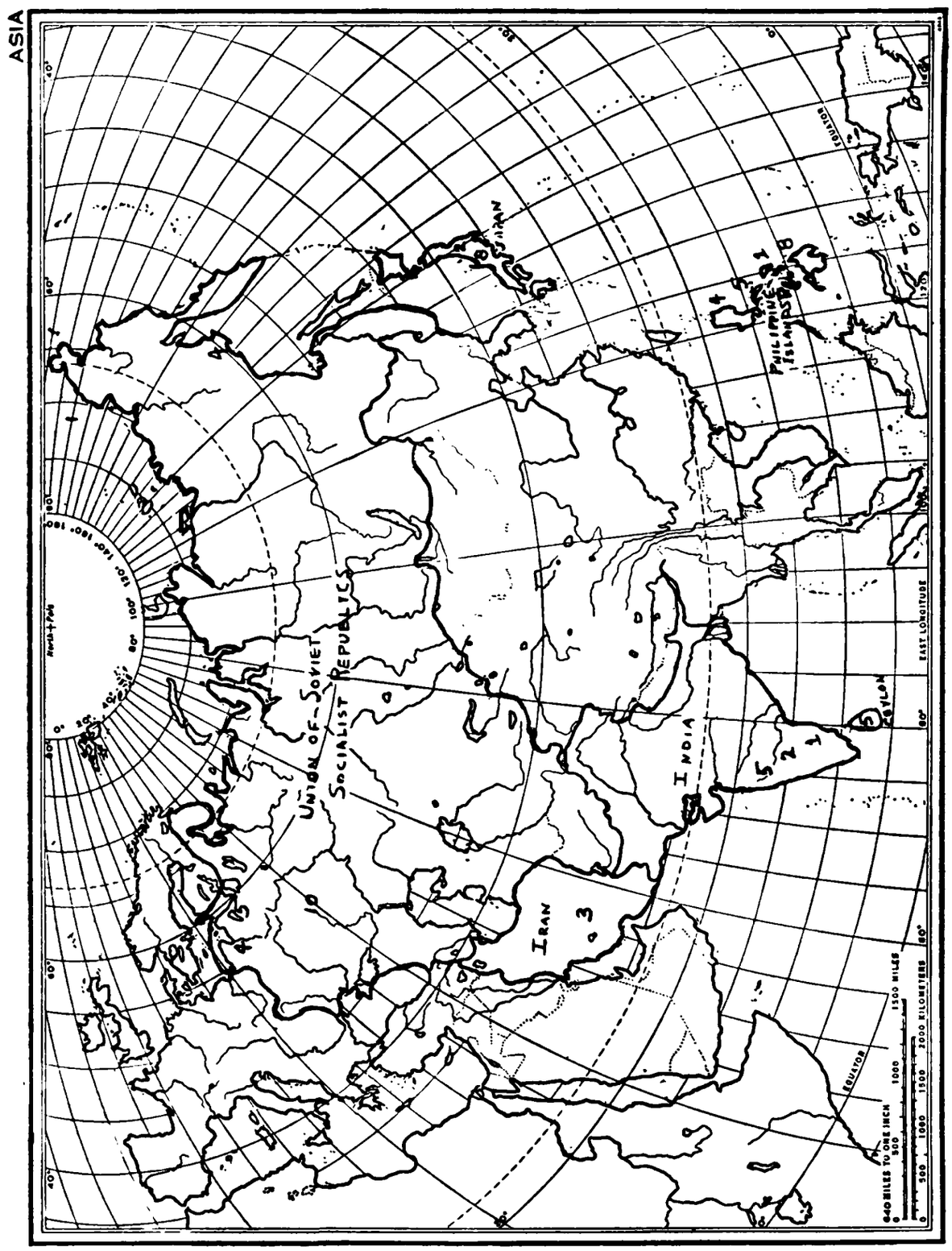
SOUTH AMERICA



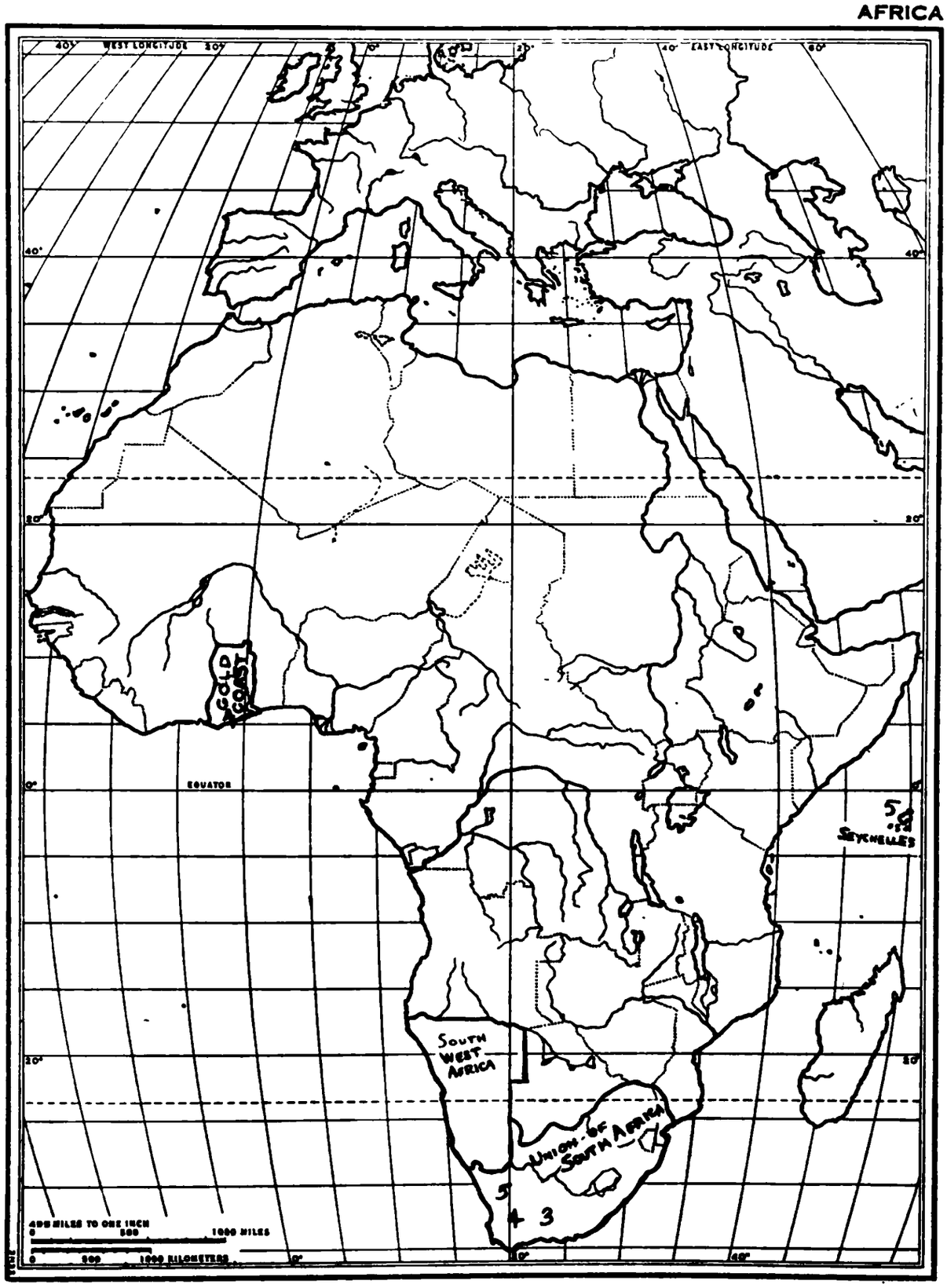
NORTH AMERICA




AUSTRALASIA
AUSTRALIA
TASMANIA


ASIA
UNION OF SOVIET SOCIALIST REPUBLICS
IRAN
INDIA
CEYLON
PHILIPPINE ISLANDS
EQUATOR
EAST LONGITUDE
640 MILES TO ONE INCH
1500 MILES
2000 KILOMETERS

AFRICA


40° WEST LONGITUDE 20° 0° 20° 40° EAST LONGITUDE 60°
40°
20°
0°
EQUATOR
GOLD COAST
SEYCHELLES
SOUTH WEST AFRICA
UNION OF SOUTH AFRICA
5
4
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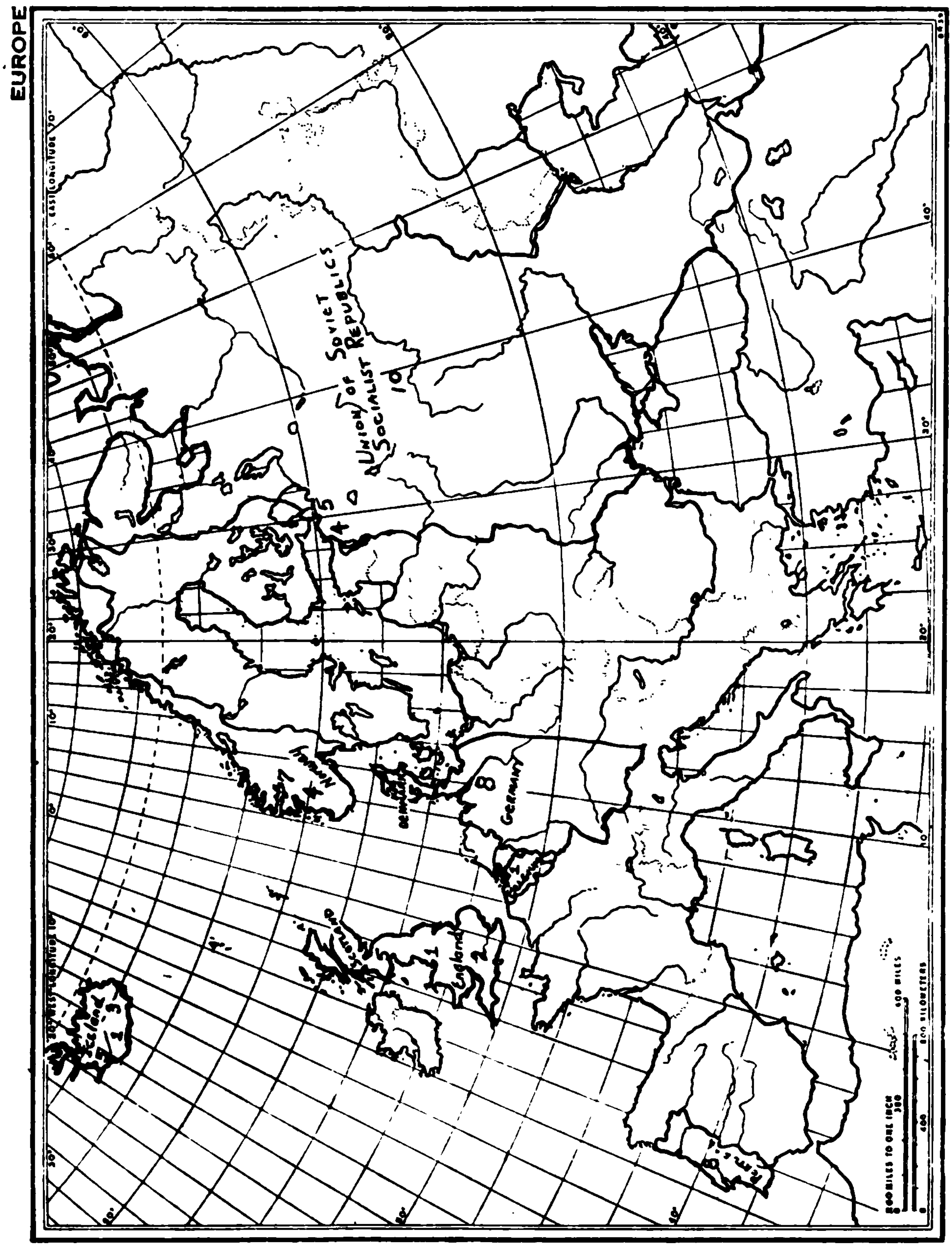
400 MILES TO ONE INCH
0 500 1000 MILES
0 500 1000 KILOMETERS



Mr. ANDERSON. This shows that this program is pretty well world-wide. For example, in South Africa, the Government is giving considerable assistance in developing a sardine industry, which is taking away some of our markets for sardines in Asia.

Senator BREWSTER. Were they the ones responsible for stimulating this import of a substitute for lobster? There are a good many of these African tails that come in.

Mr. ANDERSON. Yes, the Government has lent assistance to the producers of what they call spiny lobster, or rock lobster.

This is the final chart.

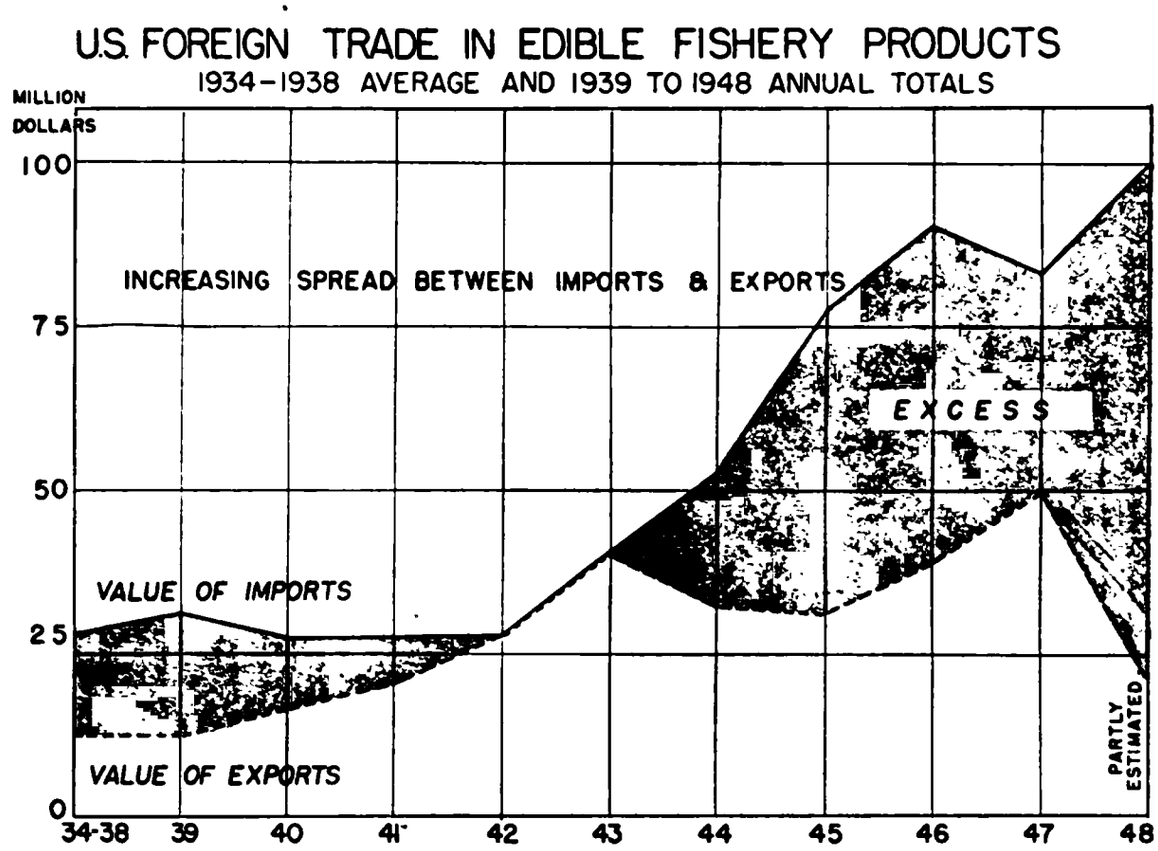
The CHAIRMAN. I have no questions.

All right, Mr. Jackson.

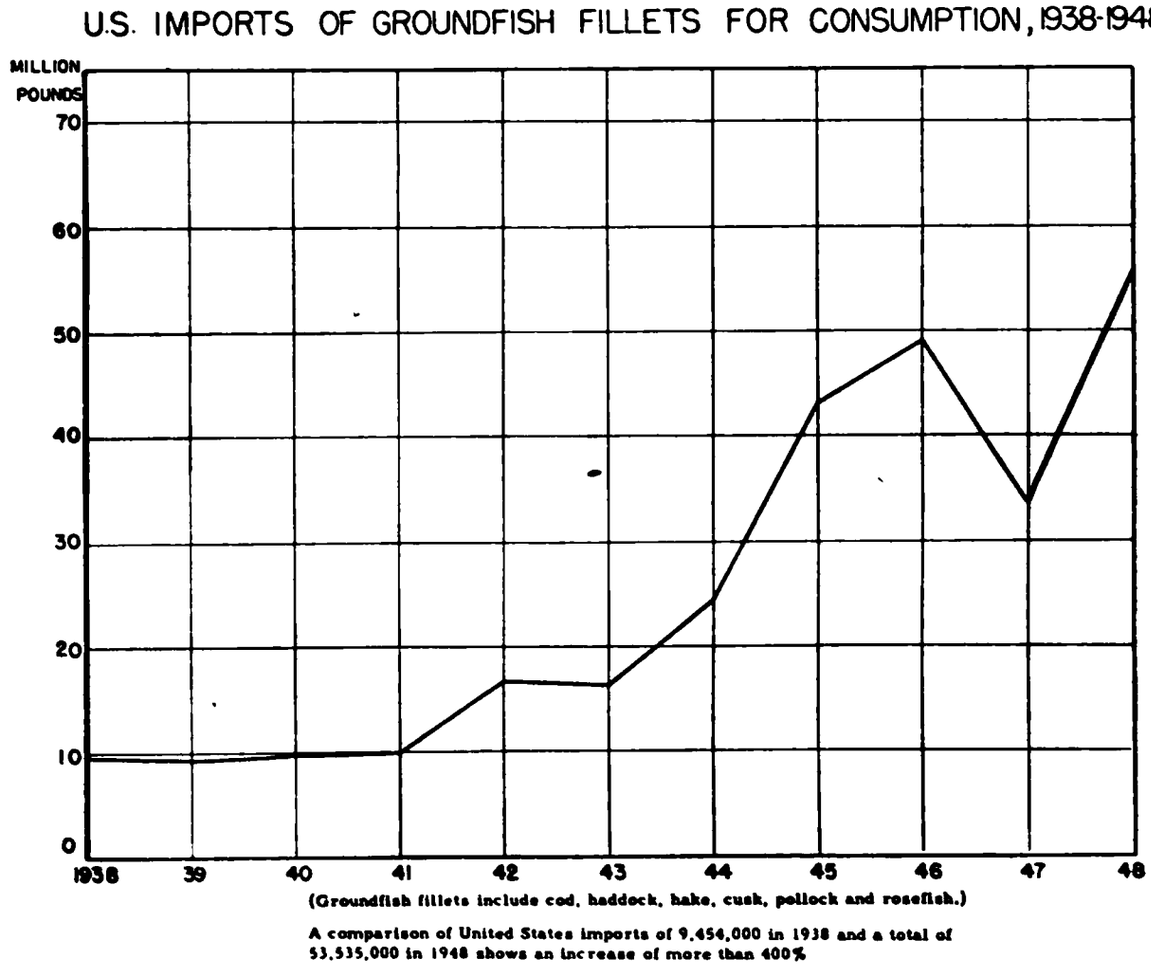
Mr. JACKSON. I would like to offer this series of charts for the record, Mr. Chairman.

The CHAIRMAN. All right, sir. It may go in the record.

(The charts referred to are as follows:)

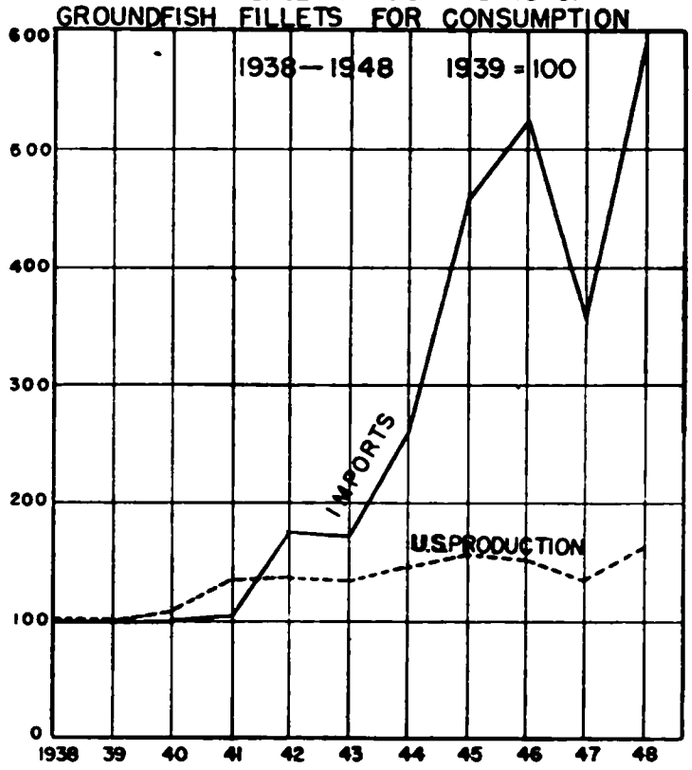


The average imports from 1934–38 of $28,665,000 have increased to $90,000,000 for the first 10 months of 1948, with an estimated total for the entire year of 1948 of $100,000,000. Exports have increased from a 1934–38 average of $12,900,000 to a total of $17,565,000 for the first 10 months of 1948, with an estimated yearly total of $20,000,000. The above figures indicate that imports will continue to increase while exports continue to decrease, creating an even greater excess between the two than is indicated in the above chart.



(Groundfish fillets include cod, haddock, hake, cusk, pollock, and rosefish.) A comparison of United States imports of 9,454,000 in 1938 and a total of 53,535,000 in 1948 shows an increase of more than 400 percent.

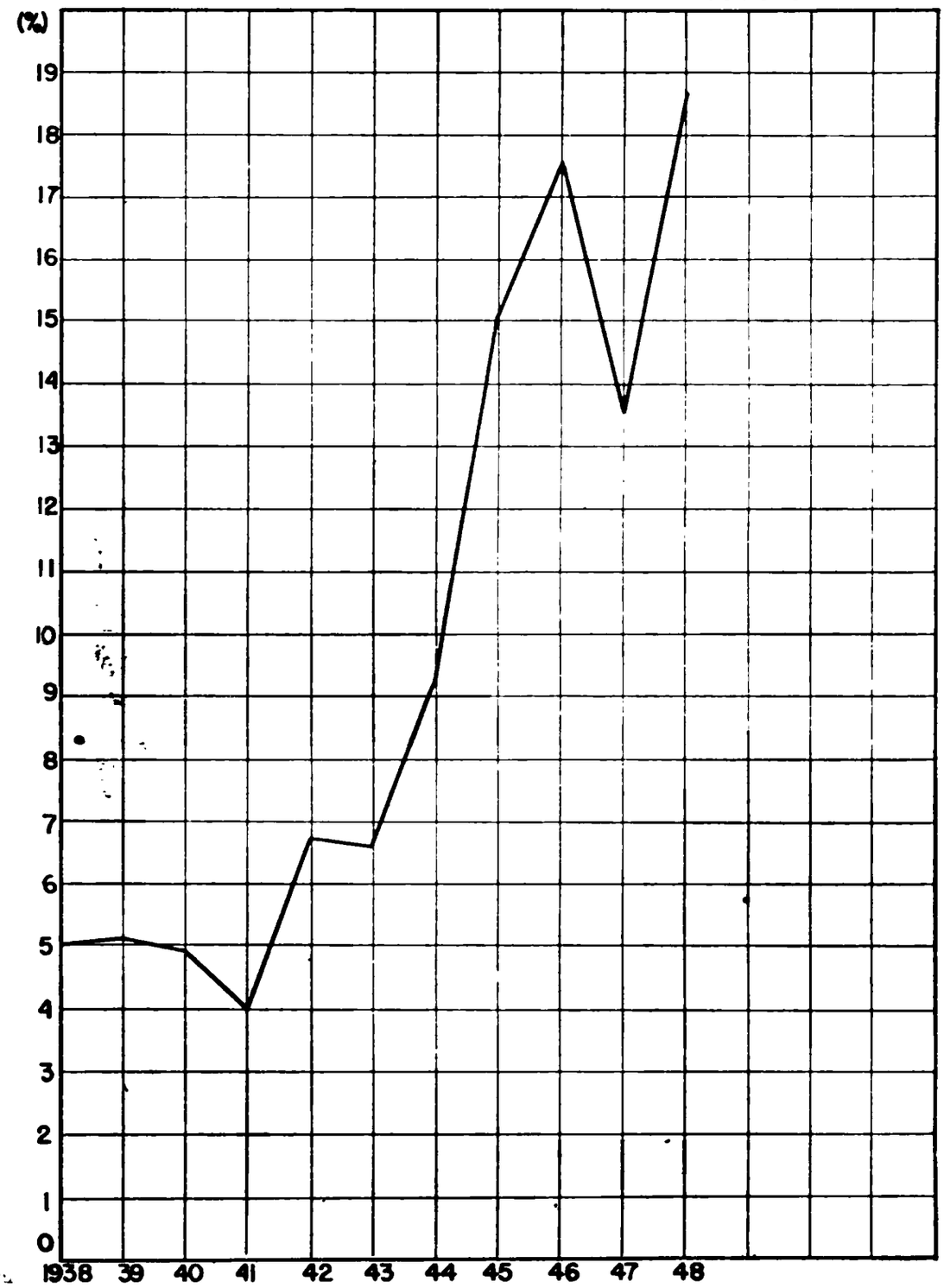
INDEX OF POUNDAGE OF PRODUCTION OF FROZEN FISHERY PRODUCTS
AND
INDEX OF POUNDAGE OF U.S. IMPORTS OF GROUNDFISH FILLETS FOR CONSUMPTION



(Groundfish fillets include cod, haddock, hake, cusk, pollock, and rosefish.)

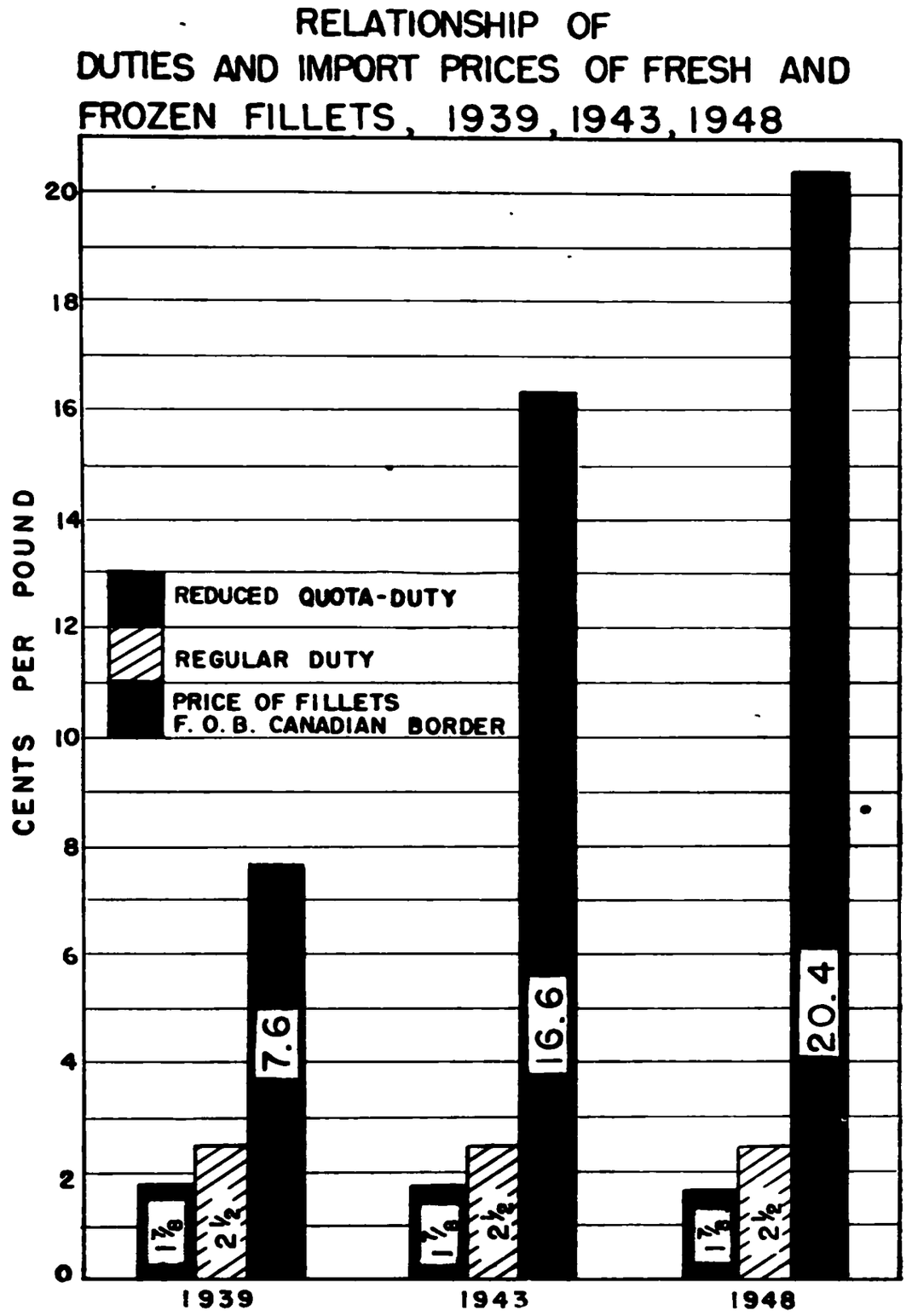
With a starting index in 1939 of 100, imports have increased 489 percent in 1948, whereas U. S. production has increased only 62 percent for the same period of time.

PERCENTAGE RELATIONSHIP OF IMPORTS OF GROUNDFISH FILLETS TO U.S. PRODUCTION OF FROZEN FISHERY PRODUCTS 1938-1948



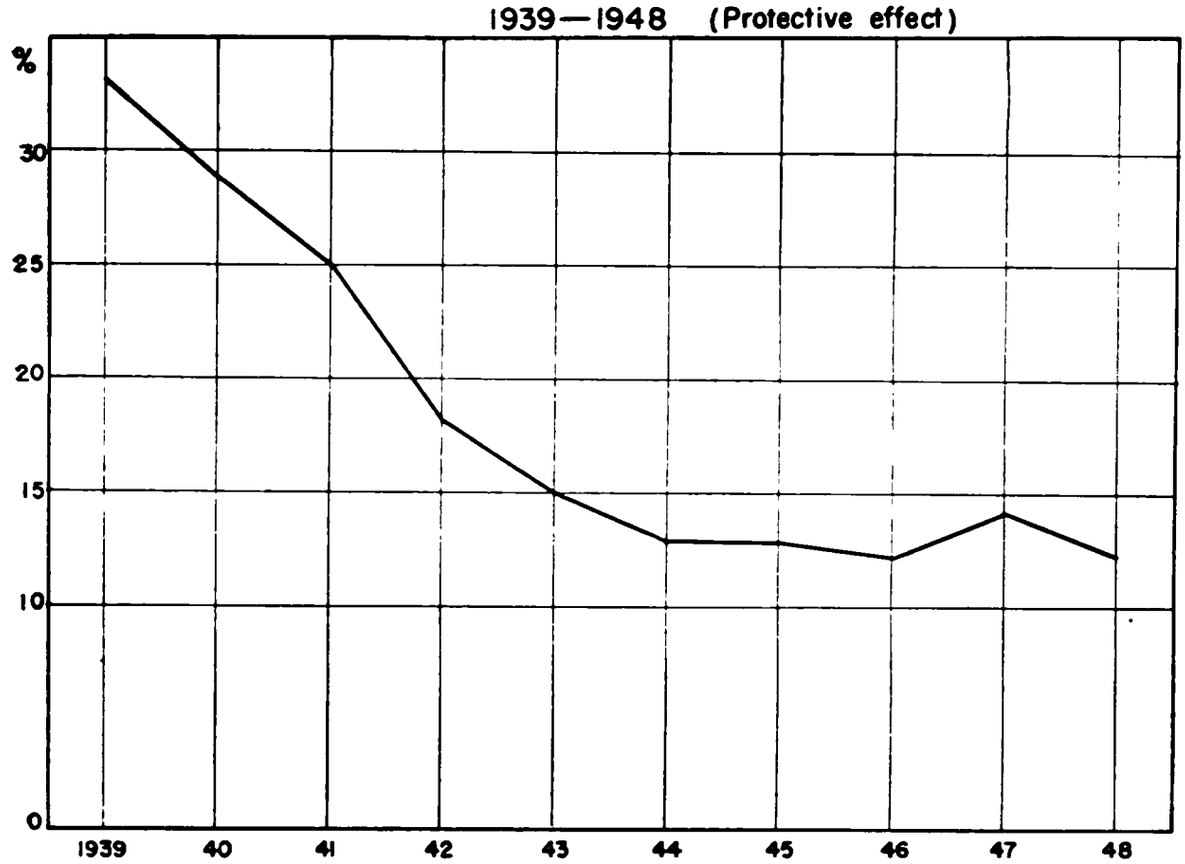
(Groundfish fillets include cod, haddock, hake, cusk, pollock, and rosefish.)

Imports of groundfish fillets only represented 5 percent of the U. S. frozen fishery products in 1938, but have reached a peak of 18.6 percent in 1948.



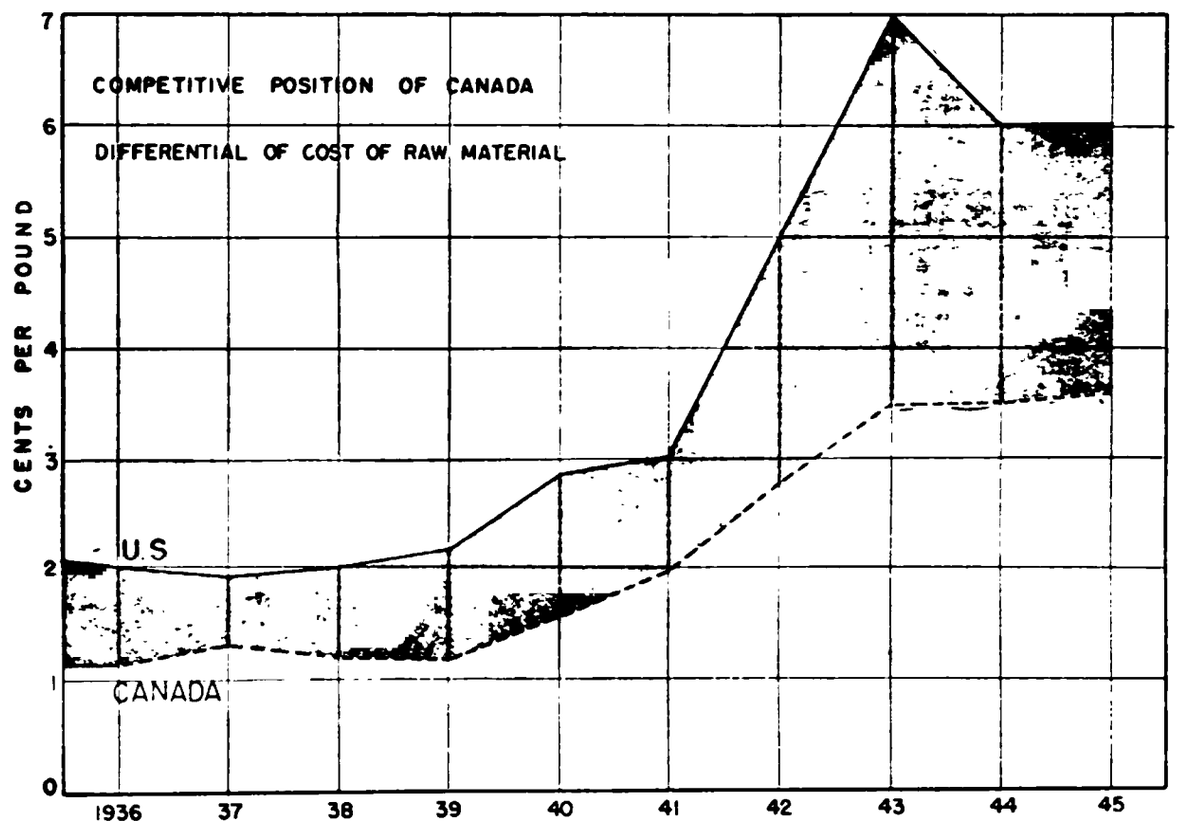
While the reduced-quota duty and regular duty have remained constant from 1939 through 1948, the price of fillets, f. o. b. Canadian border, have nearly tripled in value. The prevailing duties with such high prices constitute a barrier of little consequence.

RELATION OF IMPORT DUTY TO IMPORT PRICE
OF FRESH AND FROZEN GROUNDFISH FILLETS
1939—1948 (Protective effect)

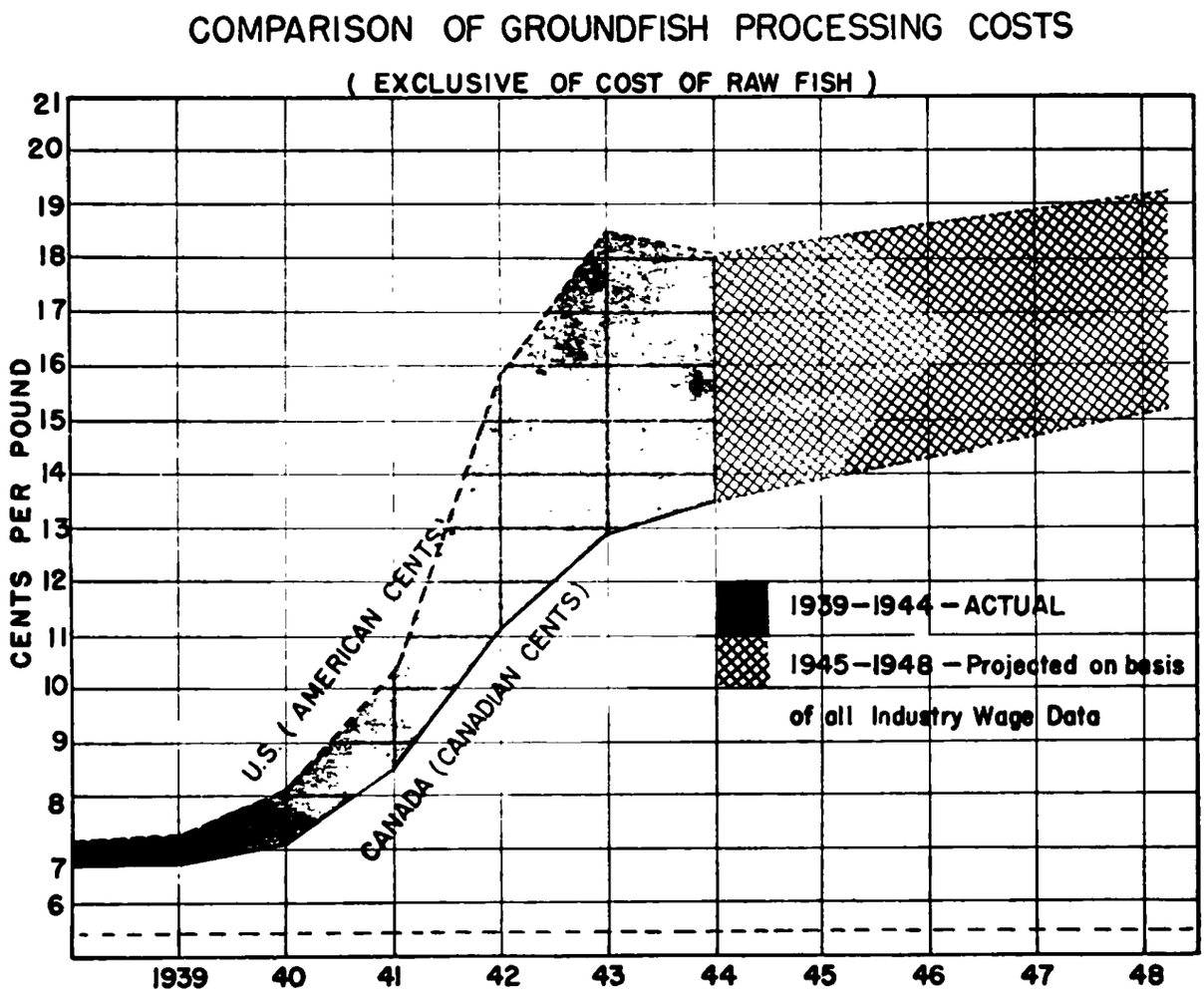


The protective effect of the import duty to import prices represented 32.9 percent in 1939, but has decreased to 12.2 percent in 1948. It ceases to be effective as a protective duty.

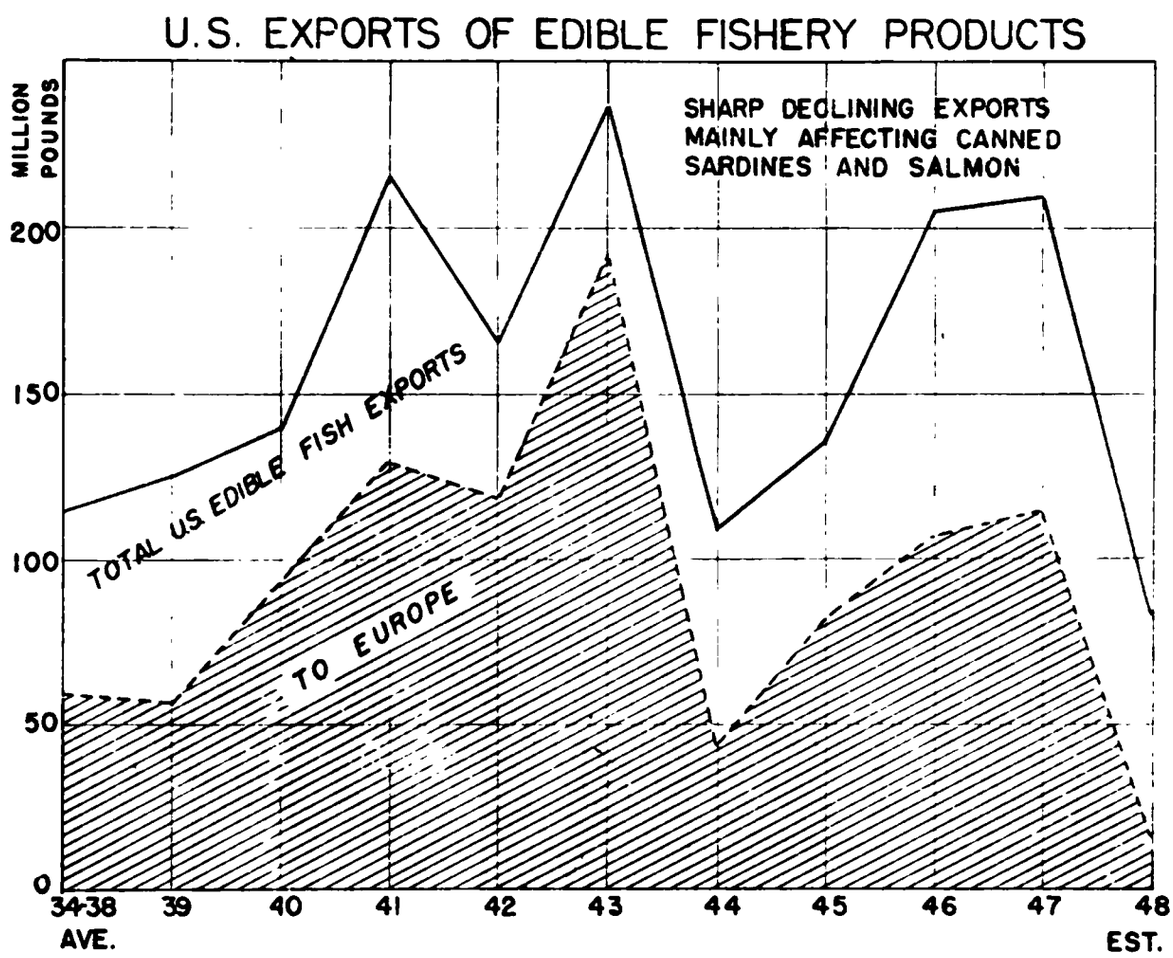
AVERAGE PRICE OF COD AS LANDED IN UNITED STATES AND CANADA, 1936-1945



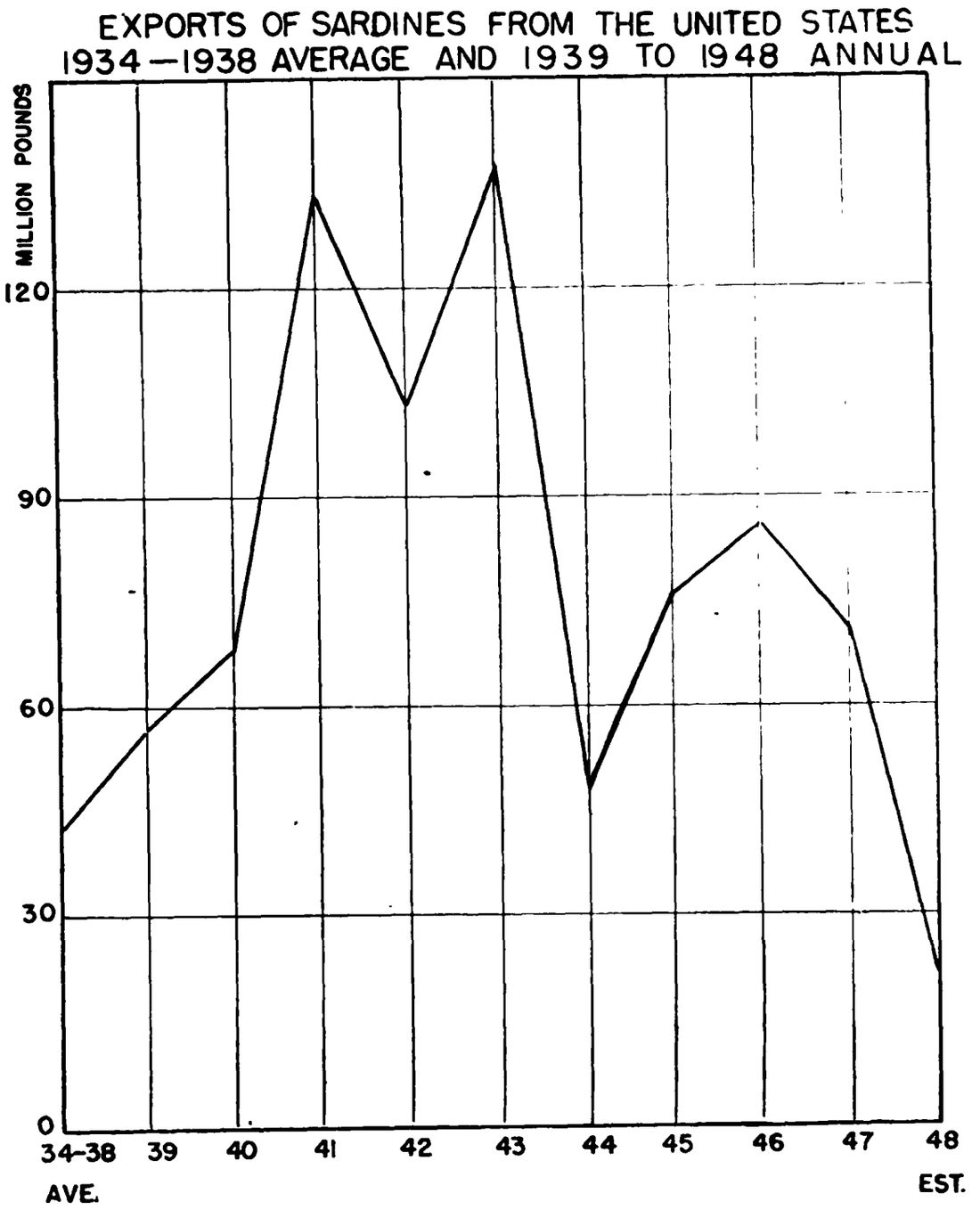
The average price of cod landed in the U. S. rose from 2.06 cents in 1936 to 6.06 cents in 1945, whereas the Canadian average price of cod rose from 1.27 cents to only 3.6 cents in the same period. Later figures are not available. These increases have resulted in Canada enjoying a competitive position on raw material cost more than twice as favorable in 1945 as in 1936.



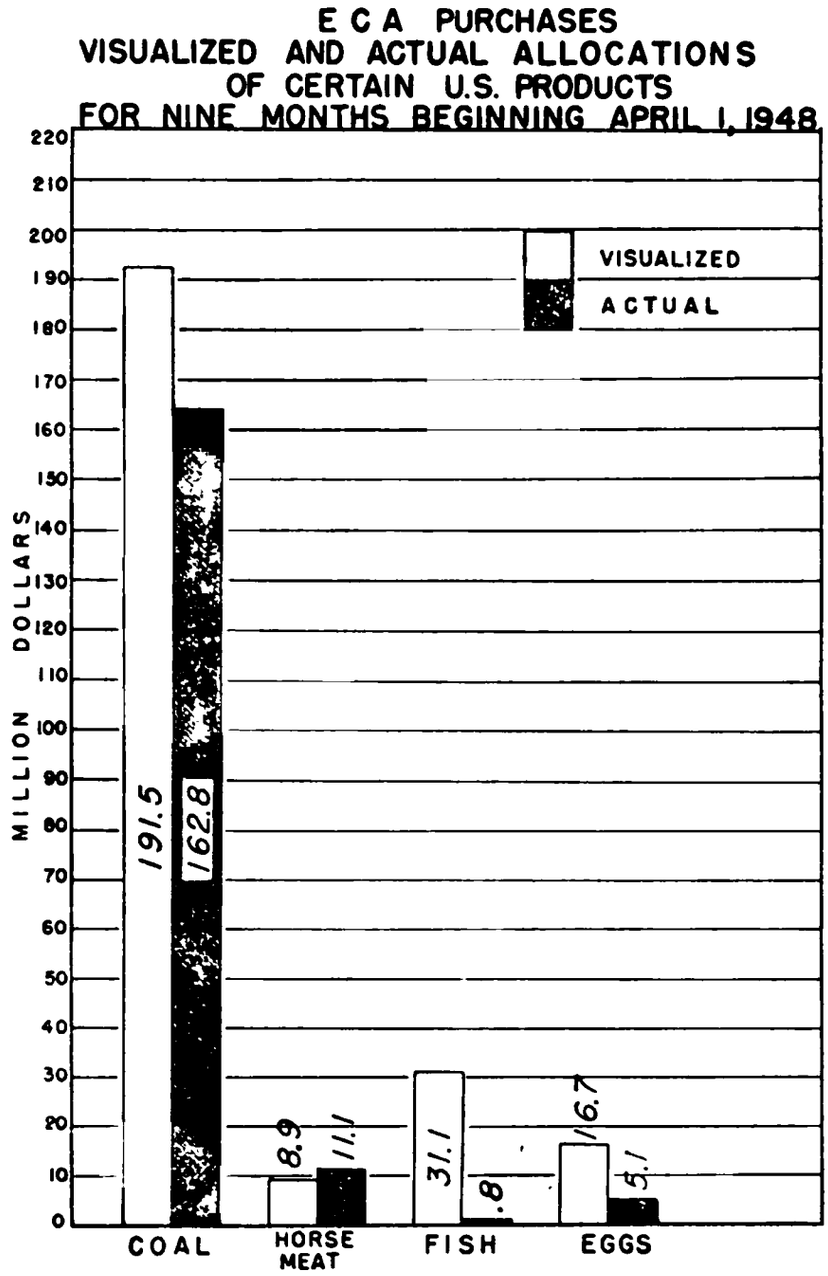
United States groundfish processing costs increased from 7.3 cents per pound in 1939 to 18.1 cents per pound in 1944, whereas similar Canadian costs increased from 6.7 cents per pound in 1939 to 13.5 cents per pound in 1944. The difference in processing cost favored Canadian production to the extent of only 0.6 cents per pound in 1939, but in 1944 had increased to 4.6 cents per pound. Processing costs from 1944 to 1948 are not available, but a projection on the basis of United States and Canadian all-industry-wage data indicates very little change with a differential of 4 cents per pound in 1948.



Total exports have decreased from an average in 1934–38 of 118,300,000 pounds to 71,600,000 pounds for the first 9 months of 1948, with the yearly estimate of 86,000,000 pounds for 1948. Of these totals the amount exported to Europe in 1934–38 average represented 61,900,000 pounds, whereas at the end of 9 months in 1948 it had dropped to 13,900,000 pounds, with an estimated yearly total in 1948 of 17,000,000. Such sharp declines indicate a nonexistent export market in the near future.



Exports have decreased from 42,820,000 pounds in 1934–38 average to a 10-month total in 1948 of 15,800,000 pounds, with an estimated yearly total in 1948 of 20,000,000 pounds. At the present rate the sardines-export market will have soon disappeared.



E. C. A.'s visualized purchases of fishery products amounted to $31,100,000, but actual fishery purchase allocations only amounted to $800,000.

Mr. JACKSON. The next witness will be Captain McHugh of the Atlantic Fisherman's Union. He can answer the question you asked about wages.

Captain McHugh?

STATEMENT OF PATRICK J. McHUGH, SECRETARY-TREASURER, ATLANTIC FISHERMAN'S UNION

Mr. McHUGH. My name is Patrick McHugh, secretary and treasurer, Atlantic Fisherman's Union. This union is composed of approximately 4,500 fishermen of New England.

In answer to your question, sir, as to the reason for the difference in price, I have a letter here from Newfoundland, which we recently received. They were asking us to help them to organize, because of the conditions they have to work under down there.

In Newfoundland the fishermen get 3 cents a pound for fish. We up here get an average of about 9 cents per pound. On our boats

here, the crews are paid at the rate of 60 percent of the catch, after deducting expenses. The owner gets 40 percent.

In Nova Scotia and Newfoundland the crew gets 37½ and the owner gets 62½.

Senator MILLIKIN. Does the fisherman furnish any equipment of his own up there where he does not here?

Mr. MCHUGH. No, the only difference is that here we pay for the food, oil, ice, and so on, and down there they pay for food alone.

Out of the 37½ percent, they pay for the food, and then the rest is split up between them. So it is almost a reverse of what we have.

Senator MILLIKIN. Let me get that clear, now. What is the situation in that respect in Newfoundland?

Mr. MCHUGH. The fishermen are paid on the basis of 37½ percent.

Senator MILLIKIN. And the fisherman furnishes what?

Mr. MCHUGH. His food. Up here, we get 60 percent, and we pay for the food, the oil, and the ice used on the trip.

Senator MILLIKIN. Would that roughly bring the two into line?

Mr. MCHUGH. No, sir.

Senator MILLIKIN. We pay more?

Mr. MCHUGH. It is a much better system here. In addition to that, our men out of Boston have a guarantee; regardless of whether the boat catches anything or not, or if she breaks down on a trip and has to come home after any number of days, our men have that guarantee of not less than $5 a day clear of everything. The owner then must pay all the expense.

Again, we have a 12-hour day.

Senator MILLIKIN. Suppose the catch exceeds the $5 a day?

Mr. MCHUGH. Then the men share.

Senator MILLIKIN. But if the catch is less than $5 a day, they get $5 a day?

Mr. MCHUGH. Anyway. And the owner pays the expense. Again, we have a 12-hour day, 6 hours on watch and 6 hours off, around the clock, all year round. Down there they have no stated hours. They work whenever they are wanted to, and as long as they can stand.

Senator MILLIKIN. That is in Newfoundland?

Mr. MCHUGH. In Nova Scotia and Newfoundland. And when we come in off a trip, we have a couple of days home. Those men have no time ashore. They come in in the morning, and they will sail that night if the vessel is ready. The only time ashore is when she is discharging and getting her supplies for the following trip.

In addition to that, according to this letter, their help get from 35 cents to 60 cents an hour with no overtime. The girls get 35 cents an hour, and they work them up to 15 hours a day. The men get 60 cents an hour and they work them as long as they want to.

Senator MILLIKIN. You are talking about the processing plants?

Mr. MCHUGH. This is the shore help. The shore workers that handle the fish.

Senator MILLIKIN. At the dock?

Mr. MCHUGH. At the dock, when the fish is discharged, it goes up to be filleted, and boxed, and packed and wrapped.

Our shore workers get a minimum of $1.08 an hour to $1.43 an hour, with time and a half after 8 hours, and double time for Sundays and holidays. So it is easy to see when you pay 35 cents an hour against 60 cents an hour with no overtime at all, what the situation must be.

Senator MILLIKIN. You are going to get to the processing plants, I assume, and you are going to go into the difference there?

Mr. MCHUGH. Well, the difference, as I pointed out, is that their help, the women, get 35 cents an hour.

Senator MILLIKIN. But you identified that with the landing. Did you mean that also as to the processing plants?

Mr. MCHUGH. That is the processing. You see, the fishermen go out on the boats, and they bring in the fish and unload at the dock. It is then taken into the processing plants. Well, where our help get from $1.08 minimum to $1.43, they only get from 35 to 60 cents an hour. Again, our help get overtime, and so forth, and they don't get anything. It is all straight time.

Senator MILLIKIN. Do you have any machinery that gives us any kind of an advantage? Is our machinery better than theirs? Is it any different from theirs?

Mr. MCHUGH. No, sir; this is all hand work. It is all done by hand.

Senator MILLIKIN. These things are all very familiar to you, but there are some of us here who want to learn something about this.

Mr. MCHUGH. Yes. Again, of course, they happen to have fish somewhat closer to their ports than we have. And we have to steam a longer distance. That gives them an advantage. Of course, again, we have a couple of days home after a trip of 10 or 12 days, and they do not have any time at home. So when it comes to producing and processing fish they have an advantage all the way around, from any point of the compass you look at it, insofar as low cost of their product is concerned. Those people are set up to put us out of business.

Senator MILLIKIN. Take two typical ports, please. What is the steaming time from some typical American port to some typical fishing grounds, and compare that to the steaming time from a Canadian port to their fishing grounds.

Mr. MCHUGH. Take a boat out of Halifax. She must steam 12 to 18 hours to reach the fishing grounds. Now, of course, we have the same steaming time to George's Banks, which is our handiest fishing grounds. But if we steam down to fish with them, which we do, oh, probably 30 percent of the time, we have to steam about 2 days. So we have 2 days additional steaming on the trip if we go down and fish with them. They don't have to come up here, because it so happens that there is just as good fishing down there. So all in all, they will, without question, I think, put us out of business.

Now, four of our boats have been sold to Newfoundland this last year. Two more are slated to go now. And because of the conditions, several of our owners are ready to dispose of about 15 more boats to the Army.

Senator BREWSTER. What does the Army want of them?

Mr. MCHUGH. The Army is intending to take them to Germany to try and fish them out of Germany.

Senator BREWSTER. Out of the North Sea?

Mr. MCHUGH. No; they intend them to go up to the banks of Iceland.

Senator BREWSTER. Iceland?

Mr. MCHUGH. Yes. But, as I say, it is because of this competition on the imports. And some of our companies have already begun to build down in Canada. So it isn't a very good picture that we have

to face, and we hope that something can be done here to help us out on this.

Senator MILLIKIN. Do you attribute the conditions that you are speaking of to the present tariff arrangements on fish?

Mr. MCHUGH. Well, sir; I think that is the case, without question. You see, we just can't compete. Remember, when we get 9 cents for groundfish down here, and it takes about 2½ pounds to one to make a fillet, and they only have to pay 3 cents, well, we just can't compete with them. I mean, the difference is too great. They have at least a 10-cent jump on us right off the bat, and we have a low duty, so there is no question about it. And they just keep their price enough under us to take the markets.

Senator MILLIKIN. Do you have unemployment in your business?

Mr. MCHUGH. We haven't any sizable unemployment. We have some at the present time. We haven't any sizable amount of it, but if the Army takes those 15 boats, it is going to be pretty tough. And again, if they do go to Germany, and if they do produce any fish, it will tend to stop the European countries, and principally Iceland, for instance, which is now supplying Germany with fish—those boats will stop them from some extent from selling a like amount over there. And of course it will mean further imports over here.

Senator BREWSTER. The reason those owners are thinking of selling those boats is because they are not profitable to operate here. Is that not right?

Mr. MCHUGH. Because they can't compete with these conditions I have told you about.

Senator BREWSTER. So that is the most telling evidence of conditions.

Mr. MCHUGH. That is right.

Senator BREWSTER. The fact that they are willing to get out of the business.

Mr. MCHUGH. Well, they are. In fact, it will mean one company going out of business altogether, and as to another company it will mean about half their boats will go, and so on.

Senator MILLIKIN. I think there has been some testimony here that there are about 500,000 employees in this business, or 550,000.

Senator BREWSTER. All over the country.

Mr. MCHUGH. I would say that, easily.

Mr. JACKSON. Direct and indirect.

Senator MILLIKIN. By "indirect," what do you mean?

Mr. JACKSON. That would mean people working in shipyards, building and repairing fishing vessels, and making nets and twines, and gears, and all the things that go to supply the industry.

Senator MILLIKIN. Those 550,000 employed people are using their pay envelopes to keep filling stations going and to keep alive the economy of the communities where they live.

Mr. MCHUGH. You see, our boats alone, on fuel oil alone, consume anywhere from about six to nine thousand gallons a trip. And, of course, there is food and twine, and all kinds of shore workers, truckmen, box men, and well, others too numerous to mention.

Senator MILLIKIN. Thank you very much.

Mr. JACKSON. Our next witness, Mr. Chairman, will be Mr. John DelTorchio, of Gloucester, and he will be followed by Mr. Fulham, of Boston. They are the only two we have.

STATEMENT OF JOHN DELTORCHIO, PRESIDENT, CAPE ANN FISHERIES, AND PRESIDENT OF THE GLOUCESTER FISHERIES ASSOCIATION

Mr. DELTORCHIO. My name is John DelTorchio. I am president of the Cape Ann Fisheries, Inc., and president of the Gloucester Fisheries of Gloucester, Mass. This association, in whose behalf this statement is submitted, comprises 22 firms engaged in the wholesale handling, processing, packing, canning, freezing, selling, and shipping of fish and fishery products. The names of firm members and the purposes for which this association was formed appear in schedule 1 of an appendix attached to this statement.

I appear before your committee to record the opposition of our association to House Resolution 1211. We want to make it perfectly clear at the outset that we oppose neither the principles, nor the purposes, nor the underlying philosophy of the Reciprocal Trade Agreements Act. Our objection is directed toward that part of the proposed bill which seeks to eliminate the provision of the act under which the Tariff Commission is authorized to investigate an industry to determine whether imports of a particular commodity are entering the country in such quantities as to injure or threaten injury to any domestic unit of agriculture, labor, or industry. In other words, to determine the peril point above which imports should not be permitted, having due regard for the economic security of domestic industry.

We submit that the tremendous imports of fresh and frozen groundfish fillets into this country from Canada, Newfoundland, and Iceland are injuring our domestic fishing industry and threaten its very existence; and that therefore the provisions with respect to the Tariff Commission in the existing law are vitally necessary and should not be eliminated. We need to preserve this legislative machinery so we can present the critical situation in our industry to an impartial Government agency whose sold function and duty is to act as the watchdog to see that the operation of any reciprocal trade agreements do not impose undue hardship upon, nor threaten the economic security of our domestic industry.

The commercial fisheries of this country, especially the New England fishing industry, offers mute testimony of what can happen to an industry where no peril point has been established—where there is no adequate control over imports.

Last year, 1948, the New England fisheries produced 930,000,000 pounds of fish and shellfish. This was a little more than one-fifth of the country's total production. The major portion of the New England catch is groundfish of the species of cod, hake, haddock, cusk, pollack, and redfish. Fresh and frozen fillets of these species entering this country from Canada, Newfoundland, and Iceland have now reached such staggering amounts that unless these importations are immediately regulated by quota to provide equitable and proper protection to domestic production, the entire fishing industry of New England is doomed to gradual extinction.

To illustrate the point I have made, I need only cite the example of my city of Gloucester, which is one of the principal producing ports in the New England area.

Total landings of fresh fish at Gloucester during 1948 amounted to over 251,000,000 pounds of whole fish valued, ex vessel, at $12,000,000. Ninety percent of fish landed at Gloucester is filleted and frozen and sold principally in the southern and midwestern parts of the country.

We have 24 plants engaged in the processing and filleting of fish, together with canning plants, freezer and cold-storage facilities, ice manufacturing plants, dehydration plants, and all of the various facilities and allied industries that are necessary to the conduct of the fishing business.

The on-shore investment in the fishing industry at Gloucester, including wharf properties and facilities amounts to $25,000,000. Fish processing firms alone employ an average of 2,000 men and women throughout the year, although the number fluctuates because of the seasonal nature of the business. These employees receive an annual pay roll of between $4,000,000 and $5,000,000.

We have over 250 vessels engaged in off-shore fishing with an estimated value of $15,000,000. The crews of these vessels number approximately 2,400. These vessels can be grouped into five classifications, as follows: Large draggers, medium-size draggers, small draggers, seiners, and gill netters. The large draggers, of which there are about 40, carry from 150,000 to 200,000 pounds of whole fish, and cost in the vicinity of $150,000; the medium and smaller draggers carry from 25,000 up to about 100,000 pounds of fish, and cost from $20,000 to $100,000; the seiners are engaged in the mackerel fishery, and their boats vary in size and cost; the gill-net boats use the gear that is commonly used in the Great Lakes, are generally smaller, and cost from $25,000 to $50,000.

Senator MILLIKIN. What is a gill net?

Mr. DELTORCHIO. A gill net is a net that stands about 6 feet high. They set them along the bottom of the ocean, proabably a half mile to a mile long, and they are anchored there, and the fish swim into them, and they get caught by the gills. That is why they are called gill nets.

Our boats are owned practically entirely by individuals. The represent the lifetime earnings and savings of our fishermen. In Gloucester, substantially every vessel in our fleet is a joint enterprise; a pooling of the resources of individual fishermen and their families, their relatives, their friends. There is little absentee ownership here; few of the vessels are owned, even in part, by corporations. They are managed, captained, and often manned by the very men who own them. Years of hard, dangerous work have resulted in the accumulation of sufficient money to build or to buy a boat "of your own." No Government subsidy, no Newfoundland type bounty, nor Icelandic type government purchase went into our fleet. It was built by years of back-breaking effort and courage of our men of Gloucester, who went to sea, many never to return; by years of saving and deprivation on the part of their families to acquire a "stake."

It is significant that practically no new vessels presently are under construction. Most of our shipyards are idle while the Governments of Canada, Newfoundland, and Iceland are subsidizing the rapid expansion of their own production facilities.

In January 1939 the second trade agrement was negotiated by the United States and Canada, the provisions of which were applicable

to other foreign nations similarly engaged in fishing. This treaty established a duty of 1⅞ cents per pound on fillets of cod, hake, haddock, cusk, pollock, and rosefish on an annual import quota of 15,000,000 pounds or 15 percent of the average United States consumption of these species in the three preceding years, whichever was greater. A duty of 2½ cents per pound was established for imports above this quota but no limit was placed upon the amount of fish that was permitted to enter this country.

In the drafting of this trade agreement with Canada, it was felt that the establishment of a fixed quota at the lower rate of 1⅞ cents per pound and the higher rate of 2½ cents per pound for imports over this quota would have the effect of limiting imports at a reasonable level in relation to our domestic production, and thereby afford sufficient protection to the fishing industry of this country.

The trade agreement of 1939 has been wholly ineffective in providing the domestic fishing industry with the protection the agreement was designed to afford. Unless reasonable quotas and restrictions are placed upon imports of fresh and frozen fillets into the United States, our fishing industry is faced with eventual extinction.

In 1939, the first year of the existence of the second trade agreement, the entire production of fresh and frozen groundfish fillets in the United States amounted to 99,500,000 pounds. Imports of the same species of fillets from Canada, Newfoundland, and Iceland during the same period amounted to 9,500,000 pounds or 9½ percent of our total domestic production.

Imports have continued to increase year by year since 1939, until the year 1948 when the imports of fresh and frozen groundfish fillets of cod, hake, haddock, cusk, pollock, and rosefish reached a peak of 53,566,452 pounds.

Senator MILLIKIN. Will you pause a moment so that I can relate those figures?

In other words, those imports increased from 9,500,000 pounds to 53 million pounds. Is that right?

Mr. DELTORCHIO. That is right.

In 1948 the commercial fisheries of the United States produced 154,500,000 pounds of fillets of the same species. Thus in 1948 the imports represented more than 33 percent of the total domestic fillet production of this country. Expressed in another way, imports during the intervening 10 years have increased more than 500 percent while domestic production has increased approximately 55 percent.

This alarming increase of imports of fresh and frozen fillets from Canada, Newfoundland, and Iceland presents a very serious threat to the fishing industry of Gloucester and of New England. These imports are principally of cod, hake, haddock, cusk, pollock, and rosefish. The catching and processing of these species constitutes almost the entire production of the Gloucester fishing industry and the major portion of that of the New England fisheries. Gloucester industry is endangered by this trend, as is the industry of every other New England port, and unless some action is taken to limit imports to a reasonable amount of our domestic consumption, a fishing port such as Gloucester will be faced with eventual ruin. It is obvious that the second trade agreement has failed to provide the protection intended for the reason that it imposes no limit on the amount of fish which is

allowed to enter this country. The higher duty of 2½ cents above the quota is entirely inadequate to provide this protection.

Senator MILLIKIN. Will you hold up just a second, please?

Mr. DELTORCHIO. Yes, sir.

Senator MILLIKIN. Now, this trade agreement that had the quota in it; was that the first agreement or the second agreement?

Senator BREWSTER. That was the second agreement. You see, above the quota they go back to the old rate of 2½ cents, and he makes the point that there is no quota at that limit.

Senator MILLIKIN. In other words, the quota has not been effective.

Mr. DELTORCHIO. It has not been effective. The rate of 1⅞ cents per pound applies to a quota, which is 15 percent of the total consumption of groundfish fillets in the United States the last preceding 3 years. After that quota is reached, the 2½ cents per pound duty applies, but there is no limit on how many pounds can enter the United States at the 2½-cent rate. So it has no effect whatever.

Senator MILLIKIN. In other words, it is not a complete quota.

Mr. DELTORCHIO. No; it is not a complete quota.

By the way, today, of course, with the difference in consumption, the quota for 1949 will again be increased. As announced by our Customs Bureau the 1949 quota at the 1⅞-cent duty will be 26,881,369 pounds.

One has only to examine the fishing industry in the United States and to compare it with conditions existing in Canada and the other countries to the north to learn why it is impossible for the local fishing industry to compete on an equal basis without adequate Government protection.

Canada, Newfoundland, and Iceland pay substantially less money to the fishermen for their fish than does the domestic industry. For example, as has been brought out here today, fillets are the fleshy portion of each side of the whole fish. In the case of redfish, the yield is 25 to 30 percent. In other words, it takes about four pounds of redfish to produce one pound of fillets. A difference of 1 cent a pound in the purchase price of the whole fish would mean a difference of 4 cents on the initial cost of each pound of fillets before any processing costs.

Senator BREWSTER. You said the difference was 3 and 9 cents. So that multiplying that by 4, you would have 12 and 36 cents, a difference of approximately 24 cents.

Mr. DELTORCHIO. I don't believe, Senator, the other witnesses referred so much to rosefish or redfish, when they were talking. It was mostly cod, I believe. And I am not going into that, because I think Mr. Fulham of Boston will go into the cod angle. Because we are heavier producers of the rosefish, and I think he will take in the cod. I am just showing you the difference here.

Senator BREWSTER. All right.

Mr. DELTORCHIO. In the case of other groundfish species, the yield is approximately 40 percent. In other words 2½ pounds of whole fish produces one pound of fillets. A difference of 1 cent a pound in the purchase price of whole fish means a difference of 2½ cents per pound of fillets of these species before any processing costs. Now, as to cod, and so on; Mr. Fulham will go into that more thoroughly.

At the present time, Gloucester is paying an average of 4¼ cents per pound for redfish while processors in Newfoundland buy the same species ex vessel for 1½ cents per pound. Lower wages paid workers who process the fish in these countries to the north further increase this differential.

In addition to this, the governments of these competing countries have subsidized the building of vesssels, processing plants and freezers, and even subsidized transportation—subsidies which in many instances our own Government has financed, thereby enabling them to build up and strengthen their facilities in order to compete on a more favorable basis with our domestic industry.

The situation already is acute. The alarming increase in the proportion of the foreign imports to domestic production is an indication and a warning that unless definite measures are taken now to prevent this ever-increasing trend, the fresh and frozen fish industry of Gloucester and New England will suffer the same fate that befell the salt fish and smoked fish industry, which has for all practical purposes been eliminated as a domestic industry for the same reasons that now threaten the fillet industry—the lack of adequate tariff protection.

Senator MILLIKIN. Do you have any documentation of this last statement; to wit, that the lack of tariff protection put the salt fish and smoked fish industry out of business?

Mr. DELTORCHIO. Well, I haven't anything with me, but certainly history has shown how it happens. If Canada goes into all of that, with their cheaper costs, they produce a lot of salt fish, and Gorton-Pew, one of the companies in town, does very little of it. Our local boats practically catch none. They couldn't compete with the Canadian boats.

Senator BREWSTER. In other words, you say the figures will show that where formerly there was a large salt and smoked fish industry in this country, it has now practically disappeared, and meanwhile the industry has developed to the north of us, in Canada and Newfoundland and taken over our markets?

Mr. DELTORCHIO. That is right. I believe that Gloucester, if I remember my history, was one of the greatest salt fishing ports in the world at one time. And today the production of salt fish is nil.

Senator BREWSTER. We used to send vast quantities of that to the Caribbean, did we not?

Mr. DELTORCHIO. That is right.

Senator BREWSTER. That was a great market for it.

Mr. DELTORCHIO. That is right.

Senator BREWSTER. And we have no more of that, practically, today.

Mr. DELTORCHIO. That is right. That has more or less now swung over into the fishcakes, you see, and things like that, but the salt fish is practically out.

Senator MILLIKIN. We no longer produce salt codfish?

Mr. DELTORCHIO. Practically none; a very small quantity. What does come in is some green cod, what we call green cod, salt cod that is shipped in here from Canada, and they process that and make fishcakes, and so forth.

The fishing industry of Gloucester and New England has faced critical periods in the past, due in part to unrestricted imports of fillets

into this country. In 1937 when inventories of frozen fish in storage, mostly groundfish fillets, were excessively heavy, the entire New England fish industry was seriously affected. Many of the fishing boats were forced to tie up. To relieve the situation the United States Government that year appropriated $1,000,000 to enable the Federal Surplus Commodities Corporation to remove the surplus so that the industry could operate on a normal basis. Ten million pounds of frozen fish fillets were purchased and distributed by the Government in order to revive the industry. It is significant to note that during 1937 the United States imported 10,226,000 pounds of frozen fillets from Canada, practically the identical amount which the Government determined was necessary for the Federal Surplus Commodities Corporation to purchase in order to relieve the New England fishing industry, and restore it to a competitive position.

Again in 1946, fillet imports into this country amounted to 49,500,000 pounds, 39 percent of the total domestic production of groundfish fillets for that year. Gloucester dealers were compelled to carry tremendous inventories into 1947 and during the spring of that year lost more than one-half million dollars when they were forced to sell fillets which had cost them more than 20 cents per pound to process, for a sale price as low as 13 cents per pound. The same situation applied generally to other fishing ports engaged in the processing and filleting of fish.

A substantial part of the losses sustained by the New England fish industry during the spring of 1947 can be attributed to the high imports of the previous year. The Gloucester fish industry was saved from an even greater loss during 1947 because imports during that year dropped to 35,000,000, 14,000,000 pounds less than had been imported during the previous year. This afforded the necessary breathing spell which enabled the local industry to get back on its feet. This drop in fillet imports during 1947 to 35,000,000 pounds resulted from labor difficulties during that year in Canada.

The industry in Gloucester is faced with an even more acute situation at the present time. Imports of fresh and frozen groundfish fillets during the year 1948 amounted to 53,500,000 pounds. As a result, groundfish fillets in cold storage in the United States on January 1, 1949, amounted to nearly 33,000,000 pounds, as compared with 24,000,000 pounds in storage on January 1, 1948. The present trend of lower prices for foods and other commodities and necessities of life are clear warning of the danger of a repetition of the losses in the spring of 1947. The fishing industry in Gloucester and the majority of firms engaged in the processing of fillets is not in a position to withstand a repetition of those 1947 losses.

The fishing industry in Gloucester has been aware of the critical condition facing it for some time. It has realized that it cannot expect assistance from the Government if it does not endeavor to help itself. Accordingly, the member firms of the Gloucester Fisheries Association have contributed $25,000 toward a national fish advertising campaign presently being conducted by the National Fisheries Institute. In addition to this they have raised and allocated $50,000 for the conduct of a special campaign to advertise Gloucester fish and fish products throughout the country.

All together, the Gloucester industry has contributed $75,000 this year in an attempt to do all in its power to off-set the hardship being imposed upon it in the form of unrestricted imports. This represents striking evidence of the seriousness with which all firms engaged in the fishing and processing industry in Gloucester view the problem.

But advertising alone, while it may help to alleviate the present acute situation, is not the cure and in the long run cannot offset the danger to the industry in the form of the tremendous and ever increasing imports of fish fillets. Furthermore, advertising adds one more item of expense to our product, which does not apply to our foreign competitors. In other words, every nickel our industry spends for advertising also advertises the foreign product. To be effective, this problem must be met directly by the imposition of definite quotas limiting imports into this country.

The preservation of the domestic fishing industry on a sound basis is essential if the industry is to be able to meet the demands made upon it during time of war. During World War II, Army procurement officials continuously called upon the Gloucester industry to provide necessary food for the armed forces. The industry was requested to and gladly did relinquish a substantial part of its commercial requirements in order to take care of the needs of the armed services. There were many weeks when the entire production of the Gloucester industry was turned over to the Army.

If our Government during times of war is in urgent need of a fishing industry which can produce large amounts of food to meet any emergency, it is essential that such an industry be kept and maintained on a strong competitive basis during times of peace. If the commercial fisheries of this country are forced to continue to conduct their business in the case of the unfair competition they are facing today in the form of unrestricted imports, such competition can only result in the gradual extinction of the fishing industry in this country.

To whom can we look in the event of another emergency to help provide our food requirements? We cannot depend upon our neighboring countries to the north to furnish our armed services with their food requirements, in view of our experience in the last war when the production of most of these countries was needed for Great Britain and other European countries. We feel that the healthy condition of the domestic fishing industry is important to the security and welfare of our country.

From this, we believe it follows that the fishing industry in Gloucester and in all of the United States is seriously threatened by the alarming and increasing quantities of fillets being imported into this country. We believe that the only effective relief that can be provided is in the form of reasonable and adequate tariff controls, limiting the amount of fish that can be taken into this country in any given year. We do not object to fair competition on an equal basis—we welcome it; we expect to share our markets, to a reasonable extent, with our neighboring friends to the north; but we do not feel that we should be asked or expected to share to the extent that we put ourselves out of business.

We have just received figures on fillet imports for the month of January. These total 4,217,000 pounds—20 percent more than was imported into this country in January of 1928. If this increase con-

tinues on the same basis throughout the year, it will mean a total of nearly 65,000,000 pounds of fillet imports which will be more than 45 percent of the entire present fillet production of New England. Certainly we need the aid of this Government, and quickly.

We still remember the fate of the salt and smoked fish business, both of which were lost to Canada as a direct result of inadequate tariff protection.

We now have developed the fresh and frozen fillets industry. This industry will survive only if the Government provides some measure of control over the import of fillets into this country on a basis that will afford adequate and proper protection. In the establishment of these protective controls, we feel it imperative that every safeguard heretofore included in the Reciprocal Trade Agreements Act should be retained, especially the authority of the Tariff Commission after proper investigation to determine the so-called peril point as a necessary protective measure for our industry and for every industry in this country faced with the problem of increased foreign imports.

To add to the seriousness of the situation down there, in the thinking of the people down there, I think Pat McHugh told you about boats that were going to be sold to different countries.

Just as I left the wharf down there, Captain Ben Pine—most people know him pretty well as the international fishing schooner racing captain—said, "I have five big draggers, here, and I would be tickled to death today to sell them for 50 cents on the dollar."

That is the feeling all the way through the industry. We are really worried about it.

Before the Committee on Merchant Marine and Fisheries of the House, I stated the other day that in the last 3 months even my own company, that is, the Cape Ann Fisheries Co., has written off its inventory to the amount of about $50,000, which we hoped to be somewhere near what we might make up to this time to carry us through the winter months. And since then it has gone up to $65,000. I have taken off my last monthly statement, and now we are really in the red and going fast. And I can say that about half the companies today in Gloucester are not turning a wheel. They have those inventories on their hands, and they are trying to get rid of them; but naturally with the differences in costs, and so forth, Canada, or not especially Canada, but all the countries to the north, are just under us at all times. If we are 20 cents, they are 19. Certainly they are bound to clean up and make a profit, and we are liable to have a loss, and a big one.

A few months ago we saw the handwriting on the wall. We had a schooner called the *Edith and Lillian*, and we sold it to Newfoundland interests. It will be in direct competition with us, but we could see that we couldn't compete.

Senator BREWSTER. This production to the north is being developed all the time by the addition of additional facilities through government aid. So that if we wait until the disaster comes, it will be entirely too late.

Mr. DELTORCHIO. That is right. Given a fair chance, our shipyards would not be idle today. We would be building vessels and more vessels to take care of the demand, and it would not be all going down to the countries of the north.

Senator BREWSTER. If you could be protected in your share of the American market.

Mr. DELTORCHIO. That is right. As their production goes up, from now on ours is going to go down. It has to.

I happen to be a director of a bank in Gloucester, and we have two vessels on our hands now that formerly cost somewhere around one-hundred-thousand-odd dollars to build. We had a little mortgage on each one of them of something like 10 or 12 thousand dollars. They are on our hands today, and we can't get $10,000 for them.

Senator MILLIKIN. What steps have you taken to acquaint the President or the Secretary of State or the Tariff Commission with your predicament?

Mr. DELTORCHIO. Well, we have not taken any, for one reason: In 1946, when they had the strike in Canada that relieved the situation. And we do not run down here unless we are really pushed. This has come up recently, and we see the danger now.

Of course, as far as the so-called escape clause is concerned, even if we could get it—I don't think there is any such thing as an escape clause for us, because we were not in that agreement. The President did not lower the tariff on fisheries. So where does your escape clause come in? And if there was an escape clause, where would we fit, anyway? It would be probably a fraction of a cent or so, when the difference is probably 6 to 11 cents. So it wouldn't do us much good.

Senator MILLIKIN. They could not increase your tariff under the limits of the Reciprocal Trade Act enough to protect you. Is that the point?

Mr. DELTORCHIO. That is right. I am reminded that we did appear before the Committee on Reciprocity, here, a couple of years ago.

Senator MILLIKIN. Now, as to Canada, we have a reciprocal-trade agreement with Canada, have we not?

Mr. DELTORCHIO. Well, just the one I have spoken of. That is all that I know of.

Senator MILLIKIN. And Newfoundland?

Mr. DELTORCHIO. That took in all countries, I believe. In fact, I think I state in the first part of my brief, here, that it pertained to other countries.

Senator BREWSTER. Newfoundland will come now under the Canadian agreement.

Mr. DELTORCHIO. That is right.

Senator MILLIKIN. The President, I believe, independent of the provisions of any particular Trade Agreement Act has certain emergency powers to prevent dangerous importations. Has any approach been made along that line?

Mr. JACKSON. We would like to know about that, Senator.

Mr. DEL TORCHIO. No, I didn't know about that; or that we could go direct to him.

Senator MILLIKIN. I should think that there might be a dumping theory, there. The other fellow is getting subsidized. This thing is coming in in tremendous quantities. My memory is that under the general provisions of the act of 1930 the President has emergency powers to control that kind of thing.

Mr. Martin, what is that situation?

Mr. MARTIN. (E. G. Martin, general counsel, U. S. Tariff Commission). Well, Senator, the Antidumping Act doesn't provide for any

additional duties unless the goods are being sold for export to the United States at less than the price prevailing in the country of export. And I don't believe that is so in the case of fish.

Now, the Tariff Act of 1930 does contain a provision to authorize a countervailing duty to offset a bounty. If you could relate the bounty that is being paid by the foreign government to a pound of fish, the law is, in form at least, mandatory. There is no discretion. As long as the article is subject to duty on its importation, the additional duty equal to the amount of the bounty is supposed to be collected, after a determination by the Secretary of the Treasury that the bounty has been paid by the foreign government.

Senator MILLIKIN. Thank you very much.

Senator BREWSTER. The difficulty on that has been to relate it to the cost of the fish; that is, when they provide a vessel or when they assist them in other ways that are not directly related to the production.

Mr. MARTIN. That is right, Senator. The law says "bounty directly or indirectly." But you don't import vessels. You import the fish. And to say how much bounty was paid on a pound of fish is a very difficult task.

Senator BREWSTER. It is true, however, that they did accomplish action in the case of potatoes under direct agreement, under the threat, apparently, that serious consequences would follow if they did not take the action. Canada did restrict their export of potatoes by their own agreement, did they not?

Mr. MARTIN. There was an agreement, Senator. I am not in a position to say whether exports were restricted.

Senator BREWSTER. I can assure you they were.

Mr. MARTIN. In the last few weeks, the exports of potatoes from Canada to the United States have in fact, become quite significant.

Senator BREWSTER. They allowed the export to this country of so-called seed potatoes. They said that they would stop the export of all so-called table stock. That was an Executive agreement which evidently the President secured by rather forcible methods.

And now, the seed potatoes are being sold in Florida for table stock, in plain violation of the agreement. We do not know how to reach that situation. That was entirely outside the provision of any law of which I know.

Mr. MARTIN. I think what was involved there was the question of whether we would invoke section 22 of the Agricultural Adjustment Act.

Senator BREWSTER. That is right. We threatened that.

Mr. MARTIN. And it was to forestall action of that sort, that the Canadians undertook to limit their exports.

Senator BREWSTER. That is right.

Senator MILLIKIN. Thank you very much, Mr. Martin.

I gather from your statement, Mr. DelTorchio, that you do not believe that a raising of the tariff would solve your problem.

Mr. DELTORCHIO. No, not the 50 percent, or anything like that. That would not solve the problem, no.

Senator BREWSTER. There is the authority that the President has under the old Tariff Act, of 50-percent increase. That would be a cent and a quarter. That would not in any degree meet this, even if he should exercise that power.

Mr. DELTORCHIO. It certainly wouldn't.

Senator MILLIKIN. Is there any power that you know of, Mr. Martin, that would permit an increase beyond 50 percent?

Mr. MARTIN. No, sir. You mean by Executive action, Senator?

Senator MILLIKIN. Yes. The reason I am probing about the tariff possibilities is because the administration is rather dead set against any quota restrictions. I suspect, and this is only my own opinion, that you will be pleading to deaf ears as far as the quota is concerned.

Mr. DELTORCHIO. Yes, I can imagine that that would be so. And, as I say, we gave up hopes a year ago, and that is why we have this advertising fund. We thought we would try every recourse that we had at our command; and as to all fish landed in Gloucester we take out 5 cents per hundred pounds to go into a kitty for advertising purposes. That is the only way that we can possibly see that we can meet it. But I don't think that is going to take care of it, especially the way the sales have dropped off these last few months.

You see, the fish that are in storage now are backing up. Three months ago, the way they were moving, it was fine. They were going along fine. But since the sales have dropped off this last month, what would have been probably 2-month supply now turns out to be 5 months' supply. That is what we are faced with.

Senator MILLIKIN. What are the good fishing months of the year?

Mr. DELTORCHIO. Well, with us, it starts about April, the first of April, and continues right up through October and November. Of course, your biggest months are, well, from May until the last of August, along there.

Senator MILLIKIN. Are they laid up during the winter?

Mr. DELTORCHIO. No, they continue to fish pretty well in the winter now. Because, you see, we have much larger and more efficient boats, and they can fish during the winter months. That is one thing that going distances to catch our fish has done. It has built bigger and better boats, all the way through, so that they can fish in all kinds of weather.

Senator MILLIKIN. I questioned one of the witnesses as to increase per capita in fish consumption in this country. Can you tell us anything about that?

Mr. DELTORCHIO. Increase in per capita consumption?

Senator MILLIKIN. Yes.

Mr. DELTORCHIO. Well, it has gone up very little. I can't tell you a great deal about that part of it, but I do know that the per capita consumption is very small.

Senator MILLIKIN. Is our domestic industry in position to supply our domestic market?

Mr. DELTORCHIO. I would say "Yes." The same answer I gave a little while ago: Our shipyards are idle. We are getting rid of boats.

Just before I left Gloucester, the *VE-Day* and the *Pan-Am* were sold to Newfoundland interests. The boys were very happy about it because they could see the handwriting on the wall. Pat McHugh just told me back there that the Government or somebody had stopped the sale. Now those fellows are going to be very unhappy, because I know that they can see losses staring them in the face. And who is going to take care of that?

Senator MILLIKIN. It is a little out of your bailiwick, but are there any impacts from this situation on the American Great Lakes fisheries?

Mr. DELTORCHIO. I would say it would affect the situation everywhere there is a coast line; lakes, ocean, anywhere where there is any coast line and any fishing, it has to have its effect. This is fillets, but scallops, or shrimps, or anything else, it is all the same. In connection with advertising, we say there is just so much room in the stomachs of the American people, and if there are more pounds of fillets that find their way there, there will be just so much less shimp or something else that will go there.

Senator MILLIKIN. Is there the same disparity, so far as you know, between the wages of an American fisherman on the Great Lakes and a Canadian fisherman on the Great Lakes? Roughly speaking, is the disparity in the wages the same?

Mr. DELTORCHIO. I should think it would be comparable. If Captain Pat McHugh is here, he could answer that.

Senator MILLIKIN. I wonder if the captain can tell us something about that?

Captain McHugh, can you tell us whether the wage differential on the Great Lakes between American and Canadian fishermen is roughly the same as it is on the coasts?

Mr. MCHUGH. No, sir; I can't. But from my general knowledge of the over-all picture, I would say that the Canadian wages to the Great Lakes fishermen were in proportion.

Senator MILLIKIN. Do they fish on a wage basis on the Great Lakes?

Mr. MCHUGH. There was at least a wage of about $6 a day back in 1939. I don't know what the situation is today.

The CHAIRMAN. Thank you very much, Mr. DelTorchio.

Mr. DELTORCHIO. Thank you, gentlemen.

The CHAIRMAN. Mr. Jackson, do you have another witness now?

Mr. JACKSON. We have one more witness, Mr. Chairman.

Senator BREWSTER. Do you have that per capita consumption figure?

Mr. JACKSON. I will attempt to answer that. It is a very difficult question to answer. We attempted to answer it in the House the other day.

In the back of this folder, here, we set forth that:

> The United States market for fishery products changes very little from year to year. The per capita consumption in 1937 of 10.7 pounds only increased to 11 pounds in 1948, even under the most favorable circumstances of a shortage of other sources of protein foods.

Generally speaking, the public, I think, would have the same feeling that I do, that in recent years we have seen much more fish on the railroads and in the restaurants and in our city homes. But the factor that we can't quite explain is that we bought practically no canned fish, comparatively speaking, during that period. In other words, the increase in fresh and frozen fish probably did occur, but it did not make up for the loss in the use of canned fish.

So now, with the imports imperiling us, we also face the situation today of having to have our canned-fish industry in direct competition with our fresh and frozen fish, with a very limited domestic market.

Senator MILLIKIN. Assuming, without admitting, that there has been an extraordinary increase in consumption, the domestic producers have lost out, so far as their share of that increase is concerned. Is that correct?

Mr. JACKSON. Definitely. I think all these charts, insofar as fresh and frozen fillets are concerned, show that. And actually, our industry is moving to Canada, in order to become the good neighbors. It is to their advantage to be good neighbors. And a witness from California, from San Diego, before the House committee last week, stated that the American canned-tuna industry is moving to South America. Actually, some have gone, I understand, and others are considering going. Because, of course, capital can move, but fishermen and shore workers can't.

We have one more witness, Mr. Chairman. Since he represents Boston, I don't like to shorten it. It is not very long. It isn't as long as the testimony of the previous witness. But we have reduced our number of witnesses, trying to collaborate with the committee, and we have just one more.

The CHAIRMAN. Yes, sir. It will be necessary, however, that we hear him this morning.

Mr. JACKSON. This is Mr. Tom Fulham.

STATEMENT OF THOMAS A. FULHAM, PRESIDENT, FEDERATED FISHING BOATS OF NEW ENGLAND AND NEW YORK, INC., BOSTON, MASS.

Mr. FULHAM. Mr. Chairman, my name is Thomas A. Fulham, president of the Federated Fishing Boats of New England and New York, Inc. I am also president of Fulham Brothers, Inc., a fishing company doing business on the Boston fish pier.

I am the third generation of my family engaged in the fishing business; and frankly, sir, this is the most serious situation that has ever occurred in the history of our family.

This brief is submitted to the Senate Finance Committee by the Federated Fishing Boats of New England and New York, Inc., and the Massachusetts Fisheries Association, Inc. The memberships of both organizations include fishing-boat owners, processors, distributors, hotel and restaurant supply houses, commission merchants, trucking companies, box manufacturers, can manufacturers, ice producers, salt manufacturers, shipyards, barrel manufacturers, cold-storage warehouses, oil dealers, marine supply houses, and many others who derive their support from the operation of this vast industry. We cannot overemphasize the grave crisis which confronts one of America's oldest and proudest industries. Today, as never before in its history, is the very existence of the fishing industry being so seriously threatened.

May I direct the attention of the committee to the chart described as appendix I attached. Observe that in 1938, 1939, and in 1940 the total imports of groundfish fillets remained slightly below 10,000,000 pounds annually. In 1941, we witness the beginnings of a steady advance in the volume of imports that has continued to mount in an upward direction except for the year 1947 when labor disputes in the major exporting country, Canada, caused a downward trend. The advance was resumed in 1948 and has been maintained ever since. Statistically it indicates an increase of over 500 percent in the amount of imports in the 10-year period from 1938 to 1948.

There are two basic reasons why there has been such a staggering increase in fish imports:

1. The determined desire of foreign countries to obtain American dollars, and

2. The inability of the American fishing industry to compete with foreign producers subsidized and supported by their governments.

Foreign commercial fishery potentials have been so stimulated by governmental assistance in the form of bounties and subsidies that they can dump their products upon the American market with a price advantage up to and including 5 cents per pound under our producing costs. This is clearly demonstrated by the following statistics which have been obtained from statements published by the Fish and Wildlife Service of the United States Department of the Interior.

The situation in Iceland points this up graphically. In October 1944 the new Government announced a program, which included the rebuilding of the fishing fleets, modernization and expansion of industries, and related to fisheries, such as herring oil and meal factories, fish-freezing plants, canning factories, and shipbuilding yards. This program is financed through the use of 300,000,000 kronur ($46,200,000) in foreign credits.

In relation to this transaction, the Icelandic Government had already advanced 1,583,000 Swedish kronur as a down payment on a contract for 45 new fishing boats.

In 1945 a contract was signed in England which authorized the British to build 30 trawlers for the Icelanders. A commission appointed by the Minister of Labor suggested that the Government make available 3,000,000 kronur ($462,000) to 4,000,000 kronur ($616,000) for loans, payable in 5 years on a non-interest-bearing basis if needed as a result of the poor herring catch. The Government allotted 50,000 kronur ($7,700) to gather and prepare material consisting of drawings, boat models, engines, et cetera, for an exhibition.

Senator MILLIKIN. Which Government was that?

Mr. FULHAM. That was the Icelandic Government, sir.

The British Government in late August of that year granted permission to build and deliver the 30 trawlers which had been ordered by the Icelandic Government earlier in the year. The President of Iceland issued a temporary law authorizing the Government to buy these trawlers and to take a loan of 60,000,000 kronur ($9,231,000), to be repaid when the vessels have been sold to individuals or corporations. In April 1946, the Icelandic National Planning Board, charged with the administration of the Government's reconstruction and revitalization program, let domestic contracts for 31 motor fishing boats ranging in size from 35 to 55 tons.

Senator MILLIKIN. Does the fishing industry in this country make any loans from the Government?

Mr. FULHAM. No, sir.

Iceland's three leading financial institutions have as their main purpose the support of the fishing industry and commerce. The majority of the shares of the Fishing Bank of Iceland, Ltd., one of these banks, is held by the Government.

In May 1946, the Althing Session appropriated nearly 1,000,000 kronur for fishing affairs; they also passed laws regarding a state canning factory for herring, as well as a law regarding bait freezing for fishing operations.

The United States is directly responsible for the largest, newest, and most unusual addition to Iceland's fishing fleet—a 6,900-ton floating fish factory. This acquisition, which has no equal in America, was purchased under ECA's $2,300,000 loan to Iceland. Furthermore, this loan will support the purchase of additional fish-processing equipment. No doubt the products of this modern fishery operation are intended for our American market.

The Canadian Government offers another striking example of the generous way in which foreign countries have provided their fishing industries with the means by which they can undersell American competitors.

Canadian Government, in support of its fisheries, provided the following:

May 1936: Federal Government voted $500,000 to aid fishing industry: (1) $300,000 for furnishing new gear to needy fishermen: (2) $200,000 to increase consumption of fish.

Senator MILLIKIN. Was that a loan or an outright grant?

Mr. FULHAM. They gave us the money.

May 1936: $500,000 to aid Atlantic dried and pickled fish industry for the establishment of bait freezers.

July 1937: $100,000 to extend foreign markets.

June 1938: $150,000 for developing markets for Canadian fish.

May 1939: $35,000 to sponsor the education of fishermen.

June 1939: $800,000 to restore the salt fish market.

June 1939: $200,000 for a fish advertising campaign. Fifty thousand dollars for extension of educational work in cooperative producing and selling.

April 1942: Government subsidy to build fishing craft in British Columbia amounting to $165 per gross ton toward construction costs.

June 1944: Subsidy for small draggers and long line boats amounting to $165 per gross ton toward construction costs.

August 1944: $25,000,000 appropriation to insure price security for fishermen.

March 1945: Scholarships sponsored by Department of Industry and Publicity Fisheries Division of Nova Scotia.

Senator MILLIKIN. Do we have any price supports for our fish?

Mr. FULHAM. No, sir; we do not.

March 1946: Initial fund of $150,000 for a fisherman's loan board to build boats, buy gear and engines in order to lengthen the fishing season and increase catch.

May 1946: Fisheries schools planned in Nova Scotia, and appropriation authorized to teach scientific aspects of industry.

Current activities: The Dominion Government of Canada subsidizes fishing-boat construction by giving $165 per ton.

A 200-ton dragger is given a subsidy of $33,000.

The provincial Government gives loans without interest up to 70 percent of the total cost of a vessel. On a 100-ton boat costing about $200,000, the loan is $140,000, and the subsidy is $33,000; hence the builder needs only $27,000.

The significance on American economic life of this assistance by foreign governments to their fishing enterprises becomes readily apparent. In applying these benefits, bounties and grants, our foreign competitors can build low-cost producing units which enable them

to produce raw material at a very low base price. American industry, however, must find the capital among private resources to maintain and expand its facilities. Foreign government aid specifically provides for complete amortization of a newly constructed fishing boat within a period of 5 years while American fishing boat owners must amortize their fishing boats over a period of 20 to 25 years.

In the United States, fishing-boat operations could be maintained provided its greatest cost, labor, which amounts to 65 percent of the total operating cost, could be reduced to the standard of fishermen in competing countries. Lower labor cost is the only adjustment available to us unless our Government provides measures enabling us to compete on equal terms.

We do not believe that lowering the wage standards of our workers and fishermen to the levels prevailing in foreign countries is the solution to our problem.

Low-cost manufacturing because of cheaper labor costs far below our domestic minimum-wage standards enable our competitors to sell manufactured goods, such as fillets, at prices below our production costs. The combination of low-cost production units, low case raw material costs and low manufacturing costs—the direct consequence of foreign governmental assistance—provides a barrier that American industry cannot of itself overcome.

We offer you a few pertinent facts relative to our present position. National cold-storage holdings as of January 1, 1949, were 23,000,000 pounds above the 5-year average.

I might interpolate here, sir, that about 12,000,000 pounds of that is frozen fish fillets.

According to the estimates of the best minds of the industry, this figure is likely to prevail at the beginning of our current production year which commences about April 1.

It is generally recognized throughout the industry that cold storage holdings should be reduced to a minimum by the end of the winter period. An excess of 23,000,000 pounds at the beginning of the producing period will create an extremely unstable condition in the domestic industry by tying up the fleet and causing widespread unemployment. This condition is the result of oversaturating the domestic market with a tremendous influx of imported fish fillets. The present tariff rate offers no check rein to regulate the volume of imports in relation to domestic consumption; hence, this situation can repeat itself year after year.

We must face the fact that the American consumers' market is the primary objective of the foreign manufacturer of fish fillets. The price of goods produced and manufactured under an all-embracing low-cost formula should be reflected at the retail level in lower prices to the consumer. In comparing the retail price of American manufactured fillets to those on display, produced by a foreign competitor the disparity in price is negligible. The retail price of the American fillet is the retail price of the foreign fillet, hence the housewife is unable to buy foreign merchandise at a reduced price because there is no retail price differential.

The present Trade Agreements Act of 1948 offers only a partial solution to the acute problem which confronts the commercial fisheries of America. It provides for the determination, by the Tariff Commis-

sion of a peril point below which a foreign industry enjoys a distinct and unfair advantage over a domestic industry. In that instance, upon a recommendation made to the President of the United States, an increase up to and including 50 percent of the current tariff rate may be applied.

While this may be the solution for some industries, at best it provides meager protection for the commercial fisheries. It does, however, serve a purpose in that elimination of the procedure of H. R. 1211 would deprive the domestic producer of the right to his "day in court" to seek relief, even though it is a limited relief. It is our contention that this procedure should be retained and be made a part of the Trade Agreements Extension Act of 1949.

We have no confidence in the effectiveness of the escape clause as outlined in the general agreement on tariffs and trade negotiated at Geneva under which an American producer harassed by foreign competition is allegedly entitled to seek relief. An industry whose tariff rate was reduced in trade agreements prior to 1943 and not reduced in following agreements, and a domestic industry against whom the Government has granted a concession cannot legally petition for relief under the escape clause. This applied particularly to the domestic fishing industry. The tariff on fish products was reduced in the 1939 agreement but has been untouched in subsequent agreements.

No Government concession has been levied against commercial fisheries. Experience has also shown that a domestic producer must sit on the Government's doorstep for many months before he knows whether or not he has a legitimate case. Then follow more months of bargaining between representatives of the governments concerned, offers and counteroffers, withdrawals, concessions, et cetera. Any remedy which might be granted could conceivably come too late to do any good.

An outstanding example proving this contention was a denial issued by the United States Tariff Commission on January 3, 1949, of an application for relief under the escape clause filed September 7, 1948, by the United States Distillers Tariff Committee. Regardless of the merits of the case, 4 months elapsed before this group knew its fate. Restricting the effectiveness of the Tariff Commission and the inability of the escape clause to provide a speedy, equitable solution to a tariff problem, leaves the fishing industry with no legislative protection or recourse for relief.

We present these facts as the basis of our contention that the fishing industry of the United States must have access to some governmental formula which will equalize the sphere of competition between the domestic producer and his foreign competitor. We do not apologize for our ability and technical skill in operating our industry. We ask only for the establishment of a fair competitive policy, one that is not weighted against any American producer. In the absence of any other legislative remedy, we recommend the retention of the peril-point provision contained in the Trade Agreements Extension Act of 1949, and further, that H. R. 1211 be so amended.

Senator MILLIKIN. If you were to have relief by a tariff, how much relief would you have to have?

Mr. FULHAM. You would need approximately 8 cents per pound.

Senator MILLIKIN. If you have relief by quota, what would be the quota?

Mr. FULHAM. Approximately 43,000,000 pounds. It has been proven that our domestic consumption can absorb 43,000,000 pounds without serious harm to our industry. It does, naturally cut our market down.

Our position is that we do not want to deny a portion of our market to our foreign competitors, because we realize that under the Reciprocal Trade Act there must be something given for something taken. However, when an equal number of American citizens are harmed to benefit an equal number of foreign citizens, we can't quite understand where the benefit is.

Senator BREWSTER. That would give to Canada and Nova Scotia and Newfoundland much more exports to this country of fish than they have made historically, and much more than their existing industry would be needing to provide.

Mr. FULHAM. Well, if their imports were restricted to 43,000,000 pounds, it would not harm the people who are currently producing.

Senator BREWSTER. They would be all right, and we would be all right. In other words, it would work out amicably.

Mr. FULHAM. A year from today, if something is not done along that line, however, you can see what the situation will be.

Well, the imports for January of this year——

Senator BREWSTER. They showed 20 percent above a year ago.

Mr. FULHAM. That is correct, sir.

Senator BREWSTER. That would be 63,000,000 pounds for this year.

Mr. FULHAM. Now, if that is carried on throughout the entire year, you can see that a year from today they will have produced additional facilities which, if they then imposed the quota, would bring some hardship on them, whereas today it would not.

The CHAIRMAN. Are there any further questions of the witness?

Thank you very much for your statement. We appreciate your appearance.

Mr. Jackson, is there anything else?

Mr. JACKSON. That is all, thank you, Mr. Chairman.

The CHAIRMAN. Thank you, gentlemen.

The committee will recess until 2:30; and after the recess, the Tariff Commissioners will be heard first.

(Whereupon, at 1:30 p. m., the committee recessed, to reconvene at 2:30 p. m. of the same day.)

AFTERNOON SESSION

(Whereupon, the committee reconvened at 2:30 p. m., following the expiration of the noon recess.)

The CHAIRMAN. The committee will have this afternoon two members of the Tariff Commission, I believe, Mr. Gregg and Dr. Ryder.

Mr. Gregg, will you come around, please? We will start with you gentlemen first, so that you may get back to your duties.

We have before us, Mr. Gregg, H. R. 1211, on the extension of the Reciprocal Trade Agreements Act. Have you a prepared statement you wish to make?

STATEMENT OF JOHN PRICE GREGG, COMMISSIONER, UNITED STATES TARIFF COMMISSION, WASHINGTON, D. C.

Mr. GREGG. Yes; I would like to read a very brief statement, Senator, and then answer any questions you may have to ask.

The CHAIRMAN. Yes, sir. You may proceed and read your statement.

Mr. GREGG. My name is John P. Gregg. I have been a member of the Tariff Commission since the autumn of 1946, and since then have served as vice chairman of the Committee for Reciprocity Information, and later as an alternate member of the Interdepartmental Trade Agreements Committee.

From September 1947 to November 1947 I was a member of the United States delegation at Geneva.

From 1937 to 1941, I was secretary of the Commitee for Reciprocity Information.

Difference of views exists as to whether the Tariff Commission should advise the President, either directly or through the Interdepartmental Committee, as to whether or not a particular concession in a trade agreement will cause or threaten serious injury to domestic producers. It is my view that it should.

So long as Congress reserved to itself the authority to fix tariffs, the principal obligation of the Tariff Commission was to supply the Congress and the Executive with unbiased, objective, factual information on the basis of which the Congress and the President could act in tariff matters.

In 1922, the Congress delegated to the President the authority to lower or raise by a maximum of 50 percent the rate of duty upon a particular product, based upon the difference in the costs of production of that product at home and abroad, on the basis of findings following investigation and hearings by the Tariff Commission.

In 1930 this authority was continued. In 1934 the Trade Agreements Act was passed, delegating additional authority to the President to modify tariffs. Section 4 of that act provides, however, that before any trade agreement is concluded, the President shall seek information and advice with respect thereto from the United States Tariff Commission and certain other agencies of the Government.

It has always seemed to me under the terms of the law that there is a distinct obligation on the Tariff Commission to supply advice with respect to all concessions under consideration, whether contained in the tariff schedules or in the general provisions of the agreements, and that the intent and spirit of the act is not fulfilled by getting merely the views and opinion of the members of the Commission, or its staff, rather than the judgment of the Commission as a whole.

It should be made clear that for the first time, that is, under the Trade Agreements Extension Act of 1948, the Commission as a body considers and transmits to the President its judgment as to whether a reduction of a present rate of duty will or will not cause or threaten serious injury to a domestic industry. Under the previous procedures this has not been the case.

At no time prior to 1948, in more than 13 years that the Trade Agreements Act had been in effect has the Tariff Commission as a body ever been consulted with respect to whether or not a particular concession will cause or threaten serious injury to the domestic industry.

On the other hand, individual commissioners have been asked this question, and the economic and technical staff of the Commission, serving on subcommittees and country committees have been asked that question—but not the Commission.

Senator CONNALLY. All of the Commissioners, individually, you say, have been consulted?

Mr. GREGG. Some of them have.

Senator CONNALLY. Were all of them consulted?

Mr. GREGG. No, sir.

So far as I know, there is no disagreement in any quater that in making concessions in a trade agreement, the possibility of serious injury to domestic producers should be considered.

Leaders of the administration, including two Presidents, have hitherto repeatedly declared the intention to avoid serious injury to domestic producers of agricultural and industrial products.

Certainly the President before concluding a trade agreement should have the most competent and the least biased opinions available as to the probable impact of such concessions on the domestic industry.

It has seemed to me that no agency of the Government is better fitted than the Tariff Commission to assemble the facts and render a judgment on this matter with appropriate recommendations to the President.

The Commission was created for the express purpose of aiding Congress and the President to reach conclusions regarding tariff matters.

Most of its members are professional economists who have had long experience in the Commission as members either of the Commission itself or of its staff.

For an expert body, such as the Tariff Commission, assisted by its expert staff, to form judgments as to the future effects of a given reduction in duty is by no means sheer guesswork.

The Commission has accumulated over the years a vast mass of information regarding the several thousand commodities listed in the Tariff's schedules. It has succeeded fairly well in keeping this information up to date.

For a great majority of commodities consideration of past experience as to the ratio of imports to production and to exports and as to prices, and of the known facts regarding techniques of production, wages, productivity of labor, and other conditions in the industry in this country and abroad furnishes a broad basis for forecasts, at least forecasts of somewhat general and not unduly specific character.

Although in many foreign countries the war has left abnormal conditions, and although rapid changes are taking place or may shortly take place in those conditions, the Commission has in most instances sufficient information to enable it to forecast conditions abroad, at least for the near future, much more accurately than any other Government agency.

Of course, there are some commodities concerning which greater uncertainty exists both as to the future course of imports and as to whether the effect of any probable increase in imports can be characterized as "serious injury to the domestic producers."

Even in such instances, the opinions of the Commission should be of much value in reaching conclusions concerning the effects of reductions in duties.

It has been suggested that the Tariff Commission is intended primarily to be a nonpartisan, fact-finding body, and should not, therefore, as a body, participate through a member subject to its direction in the decisions of the committee which may be considered to involve policy.

As a matter of fact, in two of the Commission's major functions—that under the escape clause, and that under section 22 of the Agricultural Adjustment Act, as amended—the Commission is now required by law or Executive order to recommend what may be considered policy decisions to the President.

Moreover, it seems just as appropriate that the Commission as a body should express an opinion regarding a trade-agreement concession as that a member of the Commission or a member of its staff in a subcommittee should do so in his individual capacity.

It seems to me, however, that under the proposed bill, the Tariff Commission in recommending to the President through the Trade Agreements Committee, positive action on a concession to be granted or withheld, is participating in policy making to a greater degree than under the present act.

The Commission, under the present act now makes no recommendation. It rather makes a finding that a rate lower than X percent, for example, will cause or threaten serious injury.

The President is wholly free to make the policy decision, either because he may disagree with the Commission or because other considerations outweigh the probability of serious injury.

That completes my statement, Senator.

The CHAIRMAN. You say you have served on the committee? Is that right?

Mr. GREGG. On the interdepartmental committee? As an alternate, yes, sir.

The CHAIRMAN. You have actually served on it, though, in the past?

Mr. GREGG. Yes, sir.

The CHAIRMAN. And what other members of the Commission have served on it?

Mr. GREGG. Mr. Ryder is the official member. The chairman is the official member. I have served as an alternate. I think the vice chairman, Mr. Edminster, has served as an alternate, and Mr. Brossard at Geneva, I think, also served as an alternate. Further than that I am not informed.

The CHAIRMAN. I see. So that you have actually served on that committee.

Mr. GREGG. Yes, sir.

The CHAIRMAN. That is the point that I was getting at.

Mr. GREGG. Yes, sir.

The CHAIRMAN. Reference is made to the Reciprocal Trade Agreements Act.

The organic act did enjoin the President to accept the responsibility of getting both information and advice from the Tariff Commission; did it not?

Mr. GREGG. Yes, sir.

The CHAIRMAN. Of course, as you said, a difference in viewpoint may exist in the Commission.

Mr. GREGG. Yes.

The CHAIRMAN. That, of course, is quite readily understandable.

Mr. GREGG. Yes, sir.

The CHAIRMAN. But if the President has the opportunity of being advised, through the presence of some one member of the Commission, acting in conjunction with representatives from other agencies of Government, would you not say it was a reasonable deduction that he might get the view or the divided view of the Commission on any particular point, if it became material in the negotiation of a trade agreement?

Mr. GREGG. I think not, Senator. By no means, unless he specifically requested it. Because the member of the Commission who sits on the interdepartmental committee does not speak for the Commission.

The CHAIRMAN. Oh, I understand that, but he is there.

Mr. GREGG. Yes, sir.

The CHAIRMAN. And he has the right to give his views and opinions, I assume.

Mr. GREGG. Yes, sir.

The CHAIRMAN. He is there for consultation purposes. And is it not to be assumed, that if there is a sharp difference of opinion in the Commission the representative of the Commission in the interdepartmental committee would certainly make that fact known in the discussions?

Mr. GREGG. Mr. Chairman, at least so far as my experience is concerned, the other members of the Commission were never even consulted, and do not know what is at issue in the interdepartmental committee. If it is with reference to a particular rate of duty, a concession to be offered, the other members of the Commission are not informed about it. It is never considered by the Commission.

The CHAIRMAN. You served on the committee?

Mr. GREGG. As an alternate.

The CHAIRMAN. As an alternate.

Were you there at any of the meetings?

Mr. GREGG. Oh, yes, sir.

The CHAIRMAN. Well, did you keep it a secret from your fellow Commissioners what the issues were, what the opinions were, in this interdepartmental committee?

Mr. GREGG. Yes, sir. I never took it up with the Commission, or with any member of the Commission, other than Mr. Ryder, who was the Chairman, and for whom I acted.

The CHAIRMAN. But you were free to do so, if you wished to.

Mr. GREGG. I hardly think so, sir.

The CHAIRMAN. You hardly think you could have discussed this matter among yourselves, within your own Commission?

Mr. GREGG. I hardly think so, sir. That was not the understanding that I had.

The CHAIRMAN. Well, now, of course, men differ as to whether the finding of peril points is a very helpful function, and on that point I will not ask you any questions, because it is a point upon which men can have differences of view and opinion.

You have frankly stated your own opinion on that, as I understood your earlier statement.

Mr. GREGG. Yes, sir.

The CHAIRMAN. All right.

Senator Millikin?

Senator MILLIKIN. Mr. Gregg, just to double-rivet the matter that has already been discussed between the chairman and yourself:

Directing your attention to the practice before the act of 1948, when those individual tariff concessions came before the Trade Agreements Committee, did you, as delegate, ever have any instruction from the Tariff Commission as to what position you should take to represent the Commission?

Mr. GREGG. No, sir.

Senator MILLIKIN. You never did. So far as you know, did Chairman Ryder, when he was acting as delegate in chief, ever have such an instruction from the Commission?

Mr. GREGG. Not so far as I know.

Senator MILLIKIN. That has never happened since you have been a member of the Commission?

Mr. GREGG. Not so far as I know.

Senator MILLIKIN. So far as you can recall, were the members of the Tariff Commission ever polled, or did the members of the Tariff Commission, as such, ever vote on any individual concession proposed by the Trade Agreements Committee, or on any items which were before the Trade Agreements Committee for discussion?

Mr. GREGG. Not so far as I know, no, sir.

Senator MILLIKIN. Then, as I think you have developed, the delegate, or the alternate, representing the Tariff Commission, was not in fact representing the Tariff Commission, but was simply selected, from among the members of the Tariff Commission, and acted in his personal capacity, rather than as a representative of the Tariff Commission.

Mr. GREGG. That is my understanding; yes, sir.

Senator MILLIKIN. With reference to the peril points, it is my understanding that the Commission, as such, has completed its work on those peril points. Is that correct, sir?

Mr. GREGG. Yes, sir. It has. The work is not finally completed, but we have covered all of the items and are now getting together the final results.

Senator MILLIKIN. The policy matters, so far as the Commission is concerned, have been completed. Is that correct?

Mr. GREGG. Yes, sir.

Senator MILLIKIN. So that all that remains is the mechanical work of getting the recommendations in form to submit to the President. Is that correct?

Mr. GREGG. Yes, sir. Roughly, that is correct.

Senator MILLIKIN. What is the date by which the peril points must be delivered to the President?

Mr. GREGG. March 5.

Senator MILLIKIN. March 5?

Mr. GREGG. Yes, sir.

Senator MILLIKIN. Do you know of any reason why those peril points cannot be delivered by the Tariff Commission to the President by March 5?

Mr. GREGG. No, sir.

Senator MILLIKIN. I do not wish to anticipate in any way the nature of your report. I would like to ask this, and I won't press it if you think it is out of bounds:

Have the members of the Tariff Commission in most instances been able to reconcile their minds, under the evidence before them, as to a peril point?

Mr. GREGG. Yes, sir; I think 90 percent.

Senator MILLIKIN. Ninety percent of your recommendations will be unanimous?

Mr. GREGG. Yes, sir.

Senator MILLIKIN. Of the 10 percent, there may be some differences?

Mr. GREGG. Yes, sir. That is a rough figure, Senator, of course.

Senator MILLIKIN. I understand that. The members of the Commission are equally divided politically?

Mr. GREGG. Yes, sir.

Senator MILLIKIN. When we had this matter before us a year ago, there was at that time some talk, and it was rather vague and uncertain, that we might have negotiations with one or two or three countries. You have been working on negotiations which might be made with how many countries?

Mr. GREGG. Thirteen countries, sir.

Senator MILLIKIN. Have you found your facilities over there, both so far as staff is concerned and so far as the time and convenience of the members of the Commission are concerned, to assume that job and do a good job, in your own view?

Mr. GREGG. I think we have, sir. It has crowded us.

Senator MILLIKIN. It has crowded you, but you have been able to do it?

Mr. GREGG. Yes, sir.

Senator MILLIKIN. In other words, you will have the peril points there on time.

Mr. GREGG. Yes, sir. I believe so.

Senator MILLIKIN. And you are in unanimous agreement on roughly 90 percent or more of the items?

Mr. GREGG. Yes, sir.

Senator MILLIKIN. Have you found any difficulties that seemed to be insuperable difficulties in reaching that point beneath which a concession should not be made?

Mr. GREGG. No, sir.

Senator MILLIKIN. Just the usual problems of judgment related to facts; is that correct?

Mr. GREGG. Yes, sir.

Senator MILLIKIN. That is all, Mr. Gregg, as far as I am concerned.

The CHAIRMAN. Senator Connally, do you have any questions?

Senator CONNALLY. I believe not.

The CHAIRMAN. Senator Brewster?

Senator BREWSTER. No questions.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. I have no questions.

The CHAIRMAN. Thank you very much.

Senator CONNALLY. Wait just 1 minute.

When you say 90 percent, do you mean 90 percent unanimous or 90 percent by a majority of four of five?

Mr. GREGG. Ninety percent unanimous, sir. We had about 500 commodities listed, and we were, I say, roughly 90 percent unanimous.

Senator CONNALLY. Thank you very much, Mr. Gregg.

Mr. GREGG. Thank you, Mr. Chairman.

The CHAIRMAN. Dr. Ryder, you may come around, please, sir.

Well, Doctor, you are back again to see us.

For the record, you are the Chairman of the Tariff Commission?

STATEMENT OF OSCAR B. RYDER, CHAIRMAN, UNITED STATES TARIFF COMMISSION, WASHINGTON, D. C.

Mr. RYDER. That is right.

I have a statement which I would like to read before the questioning begins, and then I will be glad to answer any questions.

Some of this will be a little in the way of repetition of some of the things Mr. Gregg has stated, but that cannot be helped, I guess.

The CHAIRMAN. You may proceed.

Mr. RYDER. In June of last year I appeared at the request of the then Chairman Millikin before this committee and made a statement comparing the procedure up to that time in making trade agreements, and the procedure required under the Trade Agreements Extension Act of 1948 then pending.

I should like to stress at the outset that I appear now, as I did then, entirely in my personal capacity. I can only give my personal views, and they cannot necessarily be taken as representing those of the Commission.

In fact, with respect to the Trade Agreements Extension Act of 1948 and the present bill which would repeal that act, there is, as you already know, a wide divergence between the views of the different members of the Tariff Commission.

The Trade Agreements Extension Act of 1948, in section 3, requires the Tariff Commission to find for each imported article listed for trade-agreement negotiations the lowest point at which the import duty may be fixed without causing or threatening serious injury to the domestic industry producing a like or similar article; and the point found may be higher or lower than the basic duty in effect on January 1, 1945, which basic duty may be decreased or increased in trade agreements by as much as 50 percent.

The act of 1948 also provided that representatives of the Commission could not continue to have membership on the Trade Agreements Committee or on the country committees or other subcommittees of the Trade Agreements Committee. However, section 4 of the act required the Commission to 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.

This brings me to a discussion of the work of the Commission, pursuant to the provisions of that act.

Not until the meeting of the contracting pgarties to the general agreement on tariffs and trade at Geneva in August–September 1948 was there much work in connection with the trade-agreements program under the provisions of the Trade Agreements Extension Act of 1948.

At that meeting the United States tentatively agreed to negotiate in April with 11 countries, and the number was later increased to 13.

The first step in preparing for such negotiations was to make up lists of articles with respect to which the United States would consider making duty concessions to each of the 13 countries. The Commission assisted, as it has always done in the past with this job by supplying statistics on each article imported from any of the 13 countries in any substantial volume.

However, Commission experts did not participate as fully as they had before the passage of the Trade Agreements Extension Act of 1948, in making decisions as to the articles to be listed. By the new law the Commission was prevented from having, as in the past, membership on the country committees and the Trade Agreements Committee, and the observers which the Commission designated to attend meetings of these committees were restricted in the degree to which they could enter into the discussions regarding the articles to be listed. They will be similarly restricted and with much greater effect on the trade-agreements program, when consideration of the concessions to be offered on the articles listed begins.

It is my view that the provision of the present law which prohibits the Commission and its experts from participating in any manner in the preparations for, or negotiation of trade agreements, except as to furnishing facts, is not in the public interest. This provision has not been interpreted to exclude the presence of observers who may, in a highly guarded manner, answer isolated questions of fact. But it hangs like the sword of Damocles over the heads of any who might over-step these limits by entering into a full discussion and interpretation of the facts in terms of the possible effects of a proposed cut in the tariff rate. This hampers the effectiveness of Commission participation, even as a fact-furnishing agency.

In addition, by proscribing Tariff Commission representation on the Trade Agreements Committee, the present act deprives the committee of the knowledge and experience regarding tariff matters which such representation affords.

Senator MILLIKIN. Mr. Chairman, would you mind reading that last sentence again, please?

Mr. RYDER. I will, gladly, sir.

This hampers the effectiveness of Commission participation, even as a fact-furnishing agency.

In addition, by proscribing Tariff Commission representation on the Trade Agreements Committee, the present act deprives the committee of the knowledge and experience regarding tariff matters which such representation affords. A large part of the information which the Commission has always furnished in connection with tariff revisions, whether by Congress or in trade agreements, has been the information supplied by the experts of the Tariff Commission acting freely in their capacity as experts. In many ways the information so supplied has been of greater practical importance than the written information supplied by the Commission, principally in the digests which are prepared on all articles covered by trade-agreement negotiations with any country.

The written information supplied in connection with the pending negotiations has, however, been more complete and more thorough than ever before, largely because of the work done in response to the request of the Committee on Ways and Means in revising and bringing up to

date the tariff-information summaries on all dutiable articles covered by the Tariff Act of 1930.

On November 5, 1948, the President transmitted to the Tariff Commission, in accordance with section 3 of the Trade Agreements Extension Act of 1948, lists for each country, to be included in the April negotiations, of the articles with respect to which the United States would consider duty concessions. These lists covered all or part of about two hundred and thirty-some paragraphs of the Tariff Act of 1930, and required findings on something like 400 different commodity classifications. On all these items the so-called peril-point findings of the Commission must, under the law, be made in 120 days after its receipt of the lists—in this instance by March 5.

Senator MILLIKIN. How many items, Mr. Chairman, please?

Mr. RYDER. Around 400. I haven't the exact numbers.

As I said, on all these items, the so-called peril-point findings of the Commission must, under the law, be made in 120 days after its receipt of the lists—in this instance by March 5, 1949. Now, I should explain that what I have said refers only to the initial list. A supplementary list was issued, on which hearings have been held, but on which no findings have been made. On this last I think April 17 is the final date; April 17 or 18.

However, before the Commission could begin considering its findings on the initial list, it had to hold a public hearing, and to give notice of the public hearing. This hearing began December 8, and was concluded December 15, 1948. This left 80 days, deducting Sundays and holidays, about 54 working days, to make its peril point findings on something like 400 articles. Thus, the Commission has had to make findings on about seven or eight tariff classifications per working day.

I think I can speak for the entire Commission, as an organization, and for each member of the Commission, when I say that we have done and are doing our best to comply fully with the law, as we do in the case of all laws imposing duties upon the Tariff Commission. I think I can speak for the Commission also when I say that we will complete our findings by March 5, and will make our report to the President at least by that date. To accomplish this, the Commission has been meeting almost continuously, and I might add to the neglect of other work, every weekday since the middle of December, and the Commissioners have spent their evenings and week ends largely in studying the materials supplied by the Commission's staff and the record of the hearings on the articles on which peril-point findings have to be made.

On the great bulk of the article, probably 90 percent of them, as Commissioner Gregg indicated, the Commission's findings have been unanimous.

Most of the items, however, on which agreement was reached, consisted of (*a*) imported dutiable articles of kinds not produced in the United States; or (*b*) dutiable articles of kinds produced in the United States and imported in negligible or almost negligible quantities; or (*c*) dutiable articles exported in much greater quantity than they are imported; or (*d*) articles which are imported in substantial volume but which are of different grade or quality from the domestic product and thus are only indirectly competitive; or (*e*) articles with respect

to which indications were that duty changes would not greatly affect the volume of imports; or (*f*) articles on the free list.

The great bulk of the articles, I will interpolate here, that are on any list prepared for trade-agreement negotiations, are articles on which there will be little room for disagreement.

But even in cases such as those enumerated above the Commission had to go upon what information it had in hand, although with the knowledge that a change in duty frequently causes unforeseeable changes in the character or volume of imports. If there had been time to get additional information on these items, different findings very well might have been made with respect to some of them.

Now, on the other hand, the articles upon which there was disagreement were for the most part the important articles which are encountering substantial import competition. They are the articles that are going to be the subject of controversy in the negotiations, and they are the articles that bulk large in the negotiations. They are the articles the action we take with respect to which will determine the character of the agreement we can make.

Thus, the items with respect to which there have been dissents by one or more Commissioners represent a much larger part of total imports than of the number of the articles listed. In other words, if you would take the total imports, of the articles listed, the articles on which there has been dissent would constitute a very substantial part of the total.

Disagreements in the Commission, and I think this is of some importance, have been chiefly on the following points:

(a) On the question of the probable effect on imports of a given duty reduction. I see no way in the world in which disagreements of that kind can be reconciled.

(*b*) On the question of what constitutes the domestic industry to be considered as producing the like or similar domestic product. That has given great difficulty. The question arises, for example, if the domestic product like or similar to the imported product is a small part of the output of the plants or of the companies producing it.

(*c*) On the question of what constitutes serious injury. Here there is great room for disagreement, and disagreements have occurred.

(*d*) On the question of whether in certain, uncertain, and doubtful cases the uncertainty or doubt should be resolved in favor of making or not making a given duty reduction. In other words, whether doubtful and uncertain cases should be resolved in favor of assuring protection to the domestic industry or in favor of stimulating imports.

To this point I think there would be no great disagreement on the part of any member of the Tariff Commission to what I have said. Disagreement would arise, however, on the question of the value of the peril-point finding required by the Trade Agreements Extension Act of 1948, and on the question of whether making such findings is a proper and desirable function for the Tariff Commission.

On these matters I can only express my own personal views objectively, and noncontroversially as possible. These views, however, are founded upon long study of the problems involved, and upon 30 years service with the Tariff Commission, 15 years as an economist on the Tariff Commission staff and 15 years as a member of the Commission, including 3 years as Vice Chairman, and 7 years as Chairman of the Commission; also upon 14 years' experience with trade-agreements

work, having served for that length of time as the Commission's member of the Trade Agreements Committee. Right or wrong, these views have been arrived at objectively by one who has given the principal part of his life to the work of the Tariff Commission.

From his experience in this work, he has come to believe that the value of the Commission as an institution depends upon its continuing in the future, as in the past, to be strictly a fact-finding body, eschewing as far as possible expressions of opinion upon controversial questions of public policy.

My views on the value of the peril-point finding required by section 3 of the Trade Agreements Extension Act of 1948 may be summarized briefly. The attempt to fix a precise point beyond which duty reductions cannot go without causing or threatening serious injury to the domestic industry is in my view unrealistic. Even in normal times, it is not possible to fix in advance with any assurance the lowest rate of duty which will prevent serious injury. In times such as these, the uncertainties as to the course or development of competitive industries in foreign countries, of costs of production, and of currency values, to mention just a few of the existing uncertainties, is so great as to afford no adequate basis for precise findings as to the exact point beyond which a reduction in duty would cause or threaten serious injury.

Thus in my view there is no discoverable peril point, certainly not discoverable in advance. There is instead what might be called a danger zone, within which the lower the duty is reduced, the greater the risk of injury to domestic industry. My view of what should be done is to weigh the increased risk of injury on any article with respect to which domestic industry is encountering or likely to encounter substantial import competition against the benefits to be obtained from the concessions which might be received in return for reducing the duty. I do not see how you can get away from doing somethink like this if you are going to have any success in making trade agreements which will mean anything in the way of expansion of our export trade.

Frequently it has been found that the ability to conclude an agreement will depend upon the difference between, say, a 30-percent and a 35-percent duty on some given product. I do not believe anyone can determine in advance with any degree of assurance the differences in the effects of a duty of 30 and 35 percent. It can not be done that finely.

There remains for discussion the question of whether peril-point determinations are an appropriate function of the Tariff Commission. On this question I have already twice expressed my opinion. I did so first in reply to a question asked by Chairman Doughton in his letter to me of May 14, 1948, and I repeated what I said in that letter when I appeared before this committee last June. I said then—

> The Commission was established in 1916 in order that 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 visissitudes.

My fear is that 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 producers has occurred or is threatened will be based on actual observation of imports and domestic production after the trade agreements have 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.

To this statement made last year, I might add that in my judgment the very composition of the Tariff Commission precludes it from entering effectively into a policy-making field. The Commission is composed of six commissioners, not more than three of whom can be of the same political party. It thus consists of three Democratic and three Republican members. The Commission was given this bipartisan, or rather equipartisan organization, in order to insure that the Commission present the facts regarding import competition, and the effects of the tariff objectively and without partisan bias. The Commission I think has notably succeeded in doing this, and has through the years obtained the reputation for studying the facts regarding a given situation without prejudice.

The bipartisan character of the Commission which fits it for performing the fact-finding functions in a highly controversial field makes it at least doubtful, however, whether it could function effectively in the field of policy. From the beginning of its existence in 1917, the Commission has fairly consistently refrained from taking positions on questions of policy, even on questions of policy affecting directly the operations of the Commission. It has also refrained from stating what the rate of duty on a particular article should be. It has limited itself to giving as objectively as possible all of the facts bearing upon that question. Even under section 336, the flexible tariff provision, the Commission's function is a fact-finding one. The Commission finds costs of production here and abroad, and what the differences are between these costs, and the President makes the policy decision of whether it appropriate to change the duty, and who, accordingly, is responsible for any action which is taken.

Senator MILLIKIN. Who did you say was responsible for the action that is taken?

Mr. RYDER. The President.

Senator MILLIKIN. All right. Will you continue?

Mr. RYDER. I hope no one will draw the conclusion from what has been said that I think a real problem does not result from the possible conflict in certain cases between the effort to expand United States imports by duty reductions for the purpose of expanding United States exports and the pledge made over and over again with respect to the trade-agreements program, that the program will be operated in such a way as to avoid serious injury to domestic industry.

I realize that there is a real problem here. I realize that the Commission has a very important function to perform with respect to this problem. It has always been my view, a view which I think has been shared with all of my colleagues, that the primary function of the Tariff Commission with regard to the trade-agreements program is to

direct attention to those articles with respect to which injury, serious or not serious, might result from duty reduction, and with respect to which the trade-agreement authorities should exercise caution in making duty concessions.

The Commission in fact has always attempted to do just this. It has done so in two ways, first by the information supplied in the digests which are prepared on each of the articles listed for negotiation with any country, and, second, through the supplemental technical and other information supplied by its experts serving as members and under the present law as observers on the various committees which function with respect to the trade-agreements program.

As I have already stated, the information supplied informally by the Commission's experts is often more important than that supplied formally in the printed digest. Moreover, as the Commission member of the Trade Agreements Committee, I always felt obligated to direct attention to what I would call the danger spots—to articles with respect to which duty reductions might greatly increase the competitive impact of imports upon domestic industries.

I should like to say a final word regarding the information with respect to the possible or probable effect of duty reductions which have been supplied in the printed digests prepared by the Commission on each article listed for trade-agreement negotiations. Those prepared prior to the Geneva negotiations were, I think, somewhat deficient in this respect. They supplied the statistical and general factual information which might indicate where the danger spots lay, but they did not specifically call attention to them, nor discuss the degree of possible injury, or analyze adequately the competitive factors and the elements of uncertainty involved with respect to each article.

In Executive Order 9832 of February 25, 1947, paragraph 5, however, the President directed the Tariff Commission in its digest on each article listed for negotiation to "include a discussion of the factors relative to competition, production, trade, and consumption, and the probable effects of granting a concession thereon".

Executive Order 10004 issued October 6, 1948, in paragraph 7, provides that the Commission shall make—

> an analysis of the facts relative to production, trade and consumption of the articles involved, to the probable effects of a concession thereon, and to the competitive factors involved.

Presumably a similar provision will be included in any new Executive order which may be issued should the pending bill be passed. Under this authority, I think the Commission should conclude its digests on each article with a straight-forward discussion of the possible and probable effects of a duty reduction on the competitive impact of imports on domestic industries producing a similar article to that imported. In doing so, it should draw special attention to the danger spots and put up with respect to them a "Go slow" sign.

That is the end of my statement.

The CHAIRMAN. Dr. Ryder, would it be convenient for you to wait for about 15 minutes until we can hear some witnesses who are under pressure to get away?

Mr. RYDER. I am very glad to, Senator.

Senator BREWSTER. I have one witness. Mr. Bryant, please, will you give your name to the reporter?

STATEMENT OF HAROLD BRYANT, REPRESENTING THE POTATO GROWERS OF THE UNITED STATES

Mr. BRYANT. Harold Bryant.

Senator BREWSTER. Would you state the position of the potatoes under the existing tariff, under existing trade agreements with Canada, the steps the President took to give us some protection and how it has worked out.

Mr. BRYANT. At the present time, or at the start of this season, we had a serious situation due to the fact that we have price support on potatoes and Canada does not. Therefore, they do ship their potatoes in just under whatever our support price was, and take our market away from us.

Senator CONNALLY. Even with you getting the support price here, they could still outsell you?

Mr. BRYANT. Yes; they took the market because of that fact.

Senator BREWSTER. They would sell under the support price and you naturally sold your potatoes at the support price.

Mr. BRYANT. That is right. The whole program is built around the basis of selling at the support price, and holding the market at the support price. They in turn bring their potatoes in and cut under whatever the support price is and take our market away from us.

Now, that applied both on seed and table stock. The President worked out an arrangement with Canada whereby it was hoped that this situation would be corrected partially. They sacrificed our seed industry for the sake of table stock and we appreciated that much gain, although the seed growers, who have lost over 50 percent of the business, were not particularly happy about that. But at least it was some gain.

The agreement was that in view of the fact that Canada could ship in seed, they would not ship in table stock. Actually, what happened is that they are shipping in seed and it is being sold as table stock.

Senator BREWSTER. Where is that taking place, now,

Mr. BRYANT. All around the area of the Port of Norfolk, and the Department of Agriculture has ample evidence or should have ample evidence of that situation. They have had men investigating it, and I believe that some of the trade papers are advertising in the papers seed potatoes to be used for table stock at the present time.

Senator CONNALLY. Now, is there any essential difference between the two kinds of potatoes?

Mr. BRYANT. Only that seed costs more to produce, because it is excise free, and there is a lot of technical hard labor, research and so forth that went to making seed.

In other words, seed potatoes can be eaten, all eating potatoes are not seed.

Senator CONNALLY. Therefore, the seed potatoes cost more; is that right?

Mr. BRYANT. That is right.

Senator CONNALLY. And you say that they are being sold, however, as table potatoes?

Mr. BRYANT. That is right, because of the fact that they have no support.

Senator CONNALLY. The Canadians have no support, you mean?

Mr. BRYANT. Yes. I think that you will find that this situation can have a tendency to very nearly nullify our support program. We are in this situation, that our growers are having their acreage cut, and they have agreed to that, in order to have price support.

Senator BREWSTER. By about 25 percent.

Mr. BRYANT. The average is about 18 percent, or something like that. I believe that is right, though I am not sure. In Maine it is about 25 percent. It varies in different States.

All over the country our growers have their acreage cut.

Senator CONNALLY. How much support price do you get? What do you get?

Mr. BRYANT. It varies in States. In Maine at the present time it is $3.25 a hundred.

Senator CONNALLY. A hundred pounds?

Mr. BRYANT. Yes, that is a sack, tagged and loaded on cars.

Senator CONNALLY. How does that compare with the price in Canada?

Mr. BRYANT. The Canadian price will be about $2.50, though I have not checked recently.

Senator CONNALLY. So that our support price here is greater than their price?

Mr. BRYANT. They have a very low support in that, if at all, and it is an ineffective support price arrangement.

Senator CONNALLY. All right. You may continue.

Mr. BRYANT. Now, the Department of Agriculture has figured that this acreage reduction this year should give us an estimated production of 350,000,000 bushels. Since figuring that, they tell us that based on consumption trends, and I think you gentlemen recognize that potatoes have a declining per capita consumption, and based on those trends they figure that we only need about 340,000,000 bushels. Yet, under your reciprocal trade agreement with Canada, anything below 350,000,000 can be brought in at a low rate of duty.

Senator BREWSTER. What was the rate under the Tariff Act?

Mr. BRYANT. 75 cents for regular duty, and 37.5 for your others.

Senator BREWSTER. Under the agreement?

Mr. BRYANT. Yes.

Senator BREWSTER. It was cut in half?

Mr. BRYANT. Yes.

Senator BREWSTER. If the production in this country was 340,000,000 bushels, Canada could send in here 10,000,000 under the 37.5 cent rate?

Mr. BRYANT. An equivalent, that is right. Therefore, there is no sense for this Government asking our growers to reduce beyond that 350,000,000 bushel point. Naturally, too, our growers are not particularly happy to cut their acreage to meet this declining per capita consumption only to find their neighbors are not under such a restriction because they can bring the potatoes into our country and sell them.

Senator BREWSTER. You mean our Canadian neighbors?

Mr. BRYANT. That is right.

Senator BREWSTER. This is, then, a matter that is with the power of the President under the reciprocal trade agreements to restore the 75-cent duty which was fixed?

Mr. BRYANT. That is our standing, yes.

Senator BREWSTER. But he took the course of a diplomatic agreement with Canada under which they agreed to eliminate exports to us of table stock in return for allowing seed potatoes to come in from Canada?

Mr. BRYANT. That is right.

Senator BREWSTER. We are wiping out the very valuable seed potato market that we had built up in this country.

Mr. BRYANT. We lost over 50 percent of our business, and that is an industry that has been working for 30 years to get the best seed available, and we have it. That seed at the present time is being shipped to diversion channels to go to alcohol plants to make alcohol rather than what it was intended for, as seed.

Yet, Canada still continues to bring seed in here.

Senator WILLIAMS. What is the present duty?

Mr. BRYANT. I am not sure. As I remembered it, they cut it 50 percent on that quota, and I think it is 18 cents.

Senator WILLIAMS. On what basis could they cut it if they cannot go below 350,000,000 bushels?

Senator BREWSTER. They have a quota above that, even before you get under the 350,000,000 bushels, they are allowed somewhere between 2,000,000 and 3,000,000 bushels at the cut rate.

Senator WILLIAMS. Have they exceeded that?

Mr. BRYANT. Yes.

Senator WILLIAMS. They are now on the 75 cents?

Mr. BRYANT. Yes.

Senator BREWSTER. This concern is very general among all of those States that produce seed potatoes.

Mr. BRYANT. Your concern is general with the States that produce seed potatoes, all States that produce seed potatoes, and more recently with this factor of acreage reduction it becomes general for every potato producing State in the United States, regardless of whether they produce seeed or not, because there is a possibility of the growers support program breaking down because of this agreement.

Senator BREWSTER. Now, is it not a fact that these Canadian seed potatoes are being sold in the south, particularly in the Florida area, to the exclusion of the domestic production and resulting in the Government buying the new crop of Florida potatoes in order to remove them from the market?

Mr. BRYANT. The Government has started buying Florida potatoes and we have every reason to believe that they would not have to do this if it was not for these potatoes being brought in as seed, and yet sold for table stock in that area.

Senator BREWSTER. The total cost of the program for this last year for the Government was what?

Mr. BRYANT. I do not know. It was tremendous.

Senator BREWSTER. Between $150,000,000 and $200,000,000 and, of course, that was added to by every bushel of Canadian potatoes that came in, it increased the amounts the Government was obliged to take, is that right?

Mr. BRYANT. That is right. We are in effect subsidizing the Canadian potato industry.

Senator WILLIAMS. What is there to prevent Canada from marking all of their potatoes "seed potatoes" and shipping them in under the exemption?

Mr. BRYANT. What is there to prevent it?

Senator WILLIAMS. Does our law specify that these must be certified as seed?

Mr. BRYANT. They must be certified as seed, and they have a tag on them when they come in, but they still can be eaten.

Senator WILLIAMS. I understand that. I know in this country we use some for seed which are not certified, and I did not know whether you could ship them across the border without the certification.

Mr. BRYANT. They have to have the certification tag, but of course, we have an overproduction of seed, both in the United States and in Canada.

Senator BREWSTER. As a result of this reduction of acreage, that is cut down very materially, with an 18-percent reduction?

Mr. BRYANT. It cuts your demand very materially.

The CHAIRMAN. Are there any questions?

Senator BREWSTER. That is all.

I might say that the representatives of Texas were with us this morning, at this potato conference, and they made a very strong representation.

Senator CONNALLY. That is fine.

The CHAIRMAN. Dr. Ryder, you may return to the stand, please.

STATEMENT OF OSCAR B. RYDER, CHAIRMAN OF THE UNITED STATES TARIFF COMMISSION—Resumed

Mr. RYDER. I will be glad to answer any question you may have, Mr. Chairman.

Senator CONNALLY. I have no questions right now. I might have a question or two later.

Senator MILLIKIN. Did I understand that under the Executive order you now furnish the Interdepartmental Committee the equivalent of a peril point?

Mr. RYDER. No; I did not say that, because in my view the exact peril point is an impossibility. What I said was that we are required by the Executive order to furnish information regarding—I will read the exact words:

> Relative to production, trade and consumption of the article involved, the probable effects of concessions thereon, and to the competitive factors involved.

Now, in the digests prepared for Geneva negotiations, so many articles were covered, many over a thousand, there was so little time and our experience in that kind of thing had been so limited that we did it rather inadequately in the confidential section which we appended to the digests as they were transmitted to the Trade Agreement authorities.

This time, because of our work on peril points, there has been no opportunity to try to do that kind of thing to any very great extent in the digest, but if the pending bill should be passed, I for one would bend every energy and every effort to have future digests contain a confidential section indicating the Commission's opinion as to the probable effect of duty reductions, especially on very controversial items where the impact of import competition is considerable.

Senator MILLIKIN. Is that not in substance a peril point?

Mr. RYDER. I would not interpret it as such. It is calling attention to the danger spots, to the places where there is a considerable or may be a considerable competitive impact from imports, and where if duty reduction is made it may increase that impact. In other words, the purpose would be to point out where they should be cautious in making duty reductions.

Senator MILLIKIN. What you are speaking of is a range of peril points, rather than a single peril point.

Mr. RYDER. It is a discussion of the situation regarding those problems and probably in some cases, in some extreme cases, the Commission might say that the maximum reduction could not be made without causing serious injury to the domestic producing industry.

We might go that far in some cases.

Senator MILLIKIN. Does not the human mind in reaching the peril point go through the range to get there?

Mr. RYDER. I do not know as to that.

Senator MILLIKIN. Is that not so?

Mr. RYDER. As I look at it, when you take articles on which there is considerable import competition, or most of them because there are some exceptions, the lower the duty the greater the competitive impact from imports.

Those are the ones, of course, that should be studied particularly.

Senator MILLIKIN. Each individual sitting on the Interdepartmental Committee reaches in his own mind, by his own mental processes, the point below which he should not go, is that correct?

Mr. RYDER. No, I would not approach it that way. You balance what you are going to get by the increased risk in making the concession.

Now, manifestly there would be some point where you would be certain that there would be danger, and certainly you would not go beyond that point, but where to find that point in advance is very difficult.

Senator MILLIKIN. I suggest, then, that your proposition is that you will balance that calculated risk against possible benefits.

Mr. RYDER. Yes.

Senator MILLIKIN. That could, then, side entirely with the State Department view and was the reason why we amended the law.

Mr. RYDER. I never stated it that way.

Senator MILLIKIN. It comes to that, does it not?

Mr. RYDER. Manifestly, Senator, there can be no assurance that you are not going to have injury even at the present rates of duty from imports. It is always a question of relativity and the lower you fix a duty, of course, the greater the possibility or the probability of injury.

It is a matter of balancing the factors involved. That has to be done, and the final answer is reached in the negotiations.

Senator MILLIKIN. Now, you bring into the Interdepartmental Committee under the way it is to operate your digests. Those were considered, I assume, by members of the Interdepartmental Committee, and I assume that the Secretary of Agriculture, the Secretary of the Army or the Navy, the Secretary of Labor would come in with his viewpoints on it, is that right?

Mr. RYDER. Those departments, of course, have their representatives on those committees, and they would go over this material, always, but whether the Secretaries see it or not I do not know.

Senator MILLIKIN. Well, the representatives, I mean.

Mr. RYDER. Yes.

Senator MILLIKIN. And the Department of Commerce would consider imports and have a lot of data on that?

Mr. RYDER. The Department of Commerce representatives have been concerned with primarily the concessions we are to obtain from other countries in the trade agreements. That is their field.

Senator MILLIKIN. In order to get those concessions, under that theory, you get down into this danger zone and you take a calculated risk, hoping to get out of it by an escape clause if it goes sour?

Mr. RYDER. Of course, there would be cases where it would be clear that if you go to the full maximum reduction there would be injury and that is the reason, or one of the reasons, and there are a good many articles where the maximum concession was not made. But there are many articles, particularly under present conditions, Senator, where what is going to happen under present duties or reduced duties, rests merely on assumptions, and they are purely arbitrary assumptions. I have tried to get information on them and it is almost impossible to get them. I refer to such questions as what is going to happen to Japanese industry or German industries, or with respect to exchange of a given country or costs of production in a given country.

Senator MILLIKIN. It is not true that the Tariff Commission approaches the problem, and whether any other agencies approach it or whether the Interdepartmental Committee approaches it, there is a field for judgment and a field for error?

Mr. RYDER. Oh, surely.

Senator MILLIKIN. I suggest that you have not proposed anything that eliminates the field of error.

Mr. RYDER. I was not claiming to do that. I don't think that there is any possibility of eliminating that in any way.

Senator MILLIKIN. Now, in these digests which contain certain related items, would those be publicized under your theory?

Mr. RYDER. Those that were prepared in the Geneva negotiations were not published. They were given in confidential copies to the trade-agreements people and I do not think it would be practicable to make them available to the public, Senator.

You are negotiating with foreign countries and in a good many cases the Commission would have to say that there would be no effect of a concession, and you would not want to make that view known to the foreign country. That makes publication undesirable. We canvassed that at the time. I would say that if you are going to have any successful negotiations you could not publicize the comments of the Commission on the effects of the duty reductions.

Senator MILLIKIN. Even after the fact?

Mr. RYDER. Well, it is less doubtful after the fact than before, but even then there might be some danger to it.

Senator MILLIKIN. You would oppose publicizing, after the fact, a going beyond this dangerous range?

Mr. RYDER. I would be inclined to.

Senator MILLIKIN. What protection does that leave to the American public, or the American producer?

Mr. RYDER. As far as that part of it is concerned, as I stated here, at the beginning, our digests even before you get to that contain facts which usually show what the situation is.

Senator MILLIKIN. Then, if that be true, I can see no harm in plunging right out for a peril point.

Mr. RYDER. Maybe not.

Senator MILLIKIN. Now, your procedure results from an Executive order?

Mr. RYDER. That is right. In part, from the law, and partly in the Executive order which interprets the law.

Senator MILLIKIN. The order results from the President's interpretation of the law?

Mr. RYDER. Yes.

Senator MILLIKIN. Regardless of who the President may be, there is no assurance of stability of such or any other Executive order, is there?

Mr. RYDER. Oh, no. I guess not.

Senator MILLIKIN. Would it not as a general proposition be better to have our standards in the law, rather than in the President's mind?

Mr. RYDER. Well, I do not know about that. I would not like to express an opinion on that.

Senator MILLIKIN. You stated that when you were a member of the Interdepartmental Committee you called attention to danger spots.

Do you mean the range of danger or the spot where it should not be exceeded?

Mr. RYDER. I tried to be definite about it. As I looked at the Tariff Commission it was the only agency represented on the Trade Agreements Committee that was primarily responsible and had the facts necessary for showing what the effect of these reductions would be on domestic industry.

Senator MILLIKIN. Were your suggestions always followed on the Interdepartmental Committee?

Mr. RYDER. I will come to that in just a minute. With respect to danger spots, I called attention to not only those places where I personally thought there were danger spots, but where there was considerable testimony at the hearings or where I knew that there was considerable body of opinion that there were danger spots.

As to whether the committee took my recommendations or not, I would not say that I made recommendations, exactly, I stated my view in regard to the situation.

On the great bulk of items, I agreed with the decisions that were made. On a few articles I did not agree.

Senator MILLIKIN. Your agreement reflected your philosophy that you can take calculated risks?

Mr. RYDER. Whether you call them calculated or not, there is always the risk, when you reduce the duty, of some injury arising.

Senator MILLIKIN. I call it calculated because the State Department uses the phrase.

Mr. RYDER. It is not my term.

Senator MILLIKIN. And put any equivalent word in the place of "calculated," your recommendations to the Interdepartmental Committee reflected your philosophy on that subject?

Mr. RYDER. When I gave my views, they would be in regard to the probable effects on the domestic industry concerned and they

would have to be related ultimately in the discussion to what should be done in the trade agreement, to what you could get in return and to how important an item it was in the trade agreement.

These items on which we had disagreement within the Commission in the peril points are usually the crucial items negotiating the trade agreement. On such items you have finally to arrive at a decision. You will try not to go too far in reducing the duty but far enough to be attractive to the foreign country.

Senator MILLIKIN. I suggest, Doctor, that the peril is the danger of compromising the noninjury case.

Mr. RYDER. What is that?

Senator MILLIKIN. The danger of that proceeding is that you are compromising the noninjury cases.

Mr. RYDER. If there was a definite point that you could tell in advance that that was the point beyond which you could not go without injury, I would say "Yes".

Senator MILLIKIN. If you shrink from that point and get into a range of calculations, you negate the principle of finding the peril point. You are then simply balancing some calculated risks against some calculated gains.

Mr. RYDER. You realize, of course, that I don't agree with the peril point theory.

Senator MILLIKIN. I wanted to develop very explicitly that whatever differences there may be between you and Commissioner Gregg results from a philosophical difference.

Now, you stated that you called attention to the danger spots, Commissioner Gregg testified that he had no memory at all of the Commission ever having been polled on the danger spot or the range of danger on any of these matters, and that you were not speaking for the Commission but rather in your personal capacity, and I am not derogating your qualifications to speak as a person.

Do you agree with what Mr. Gregg said?

Mr. RYDER. Well, yes and no. It depends on how you look at these things.

He is correct on one point, at least, that I had never polled the Commission, and it has never been polled on any of the peril points until this law was passed.

I do not see, and I have never seen, how it would be practicable if desirable for the Commission to take a vote on every item and have its representative cast that vote. In the first place, these decisions are made in committees which meet continuously, almost, and you have to spend your nights reading up the material for them, and you could not be in two places at once. Then the final decisions in the Geneva negotiations were made in Geneva, and in the final negotiations beginning in April they will be made at Annecy, France.

That is on the practicability of the thing. In the desirability of it, I could say a good deal.

Senator MILLIKIN. I am getting at the ultimate fact that regardless of whether it is peril point or whether it is range of dangers, or whatever you want to call it, did you ever act there while you were a member of the Interdepartmental Committee under the instructions of the Commission as such?

Mr. RYDER. Not on individual items, no, but in June of 1934 the Commission by a vote, and I have a copy of the minute here, voted that—

> Commissioner Oscar B. Ryder be and is hereby designated as the Commission representative on the Committee on Foreign Trade Agreements, and the Commissioner Ryder be and is hereby granted the power to select and alternate or substitute at any time it may be necessary and to call upon anyone whose special services may be required.

In a letter also to Secretary Hull, who set up the Committee embodying that decision, that was included.

Senator MILLIKIN. I am glad that you mentioned that that resolution does not empower you to speak for the Commission.

Mr. RYDER. To represent the Commission on the Committee, and it was never proposed at that time or any time afterward in the Commission that the Commission should instruct its man as how to vote.

Senator MILLIKIN. And the Commission did not do so?

Mr. RYDER. No.

Senator MILLIKIN. Did you ever poll the individual members of the Commission as to any concession as to which you made recommendations?

Mr. RYDER. Oh, No.

Senator MILLIKIN. Now, if I understood you correctly, you oppose the Tariff Commission taking a policy-making role. Was not this personal advice which you gave to the Interdepartmental Committee the assumption of a policy-forming role?

Mr. RYDER. Well, I tried in presenting the facts to be as factual as I could. In casting a final vote as to whether I would approve a given course of action or not, I might be said to have been acting as an individual but not as a Commissioner in a policy-making decision.

Senator MILLIKIN. Now, you criticize the present law on the ground that it takes members of the Commission or the staff out of the actual negotiating process.

Would you say that the negotiating process is an act of policy making?

Mr. RYDER. No; the decisions as to what will be done, what concessions will be made, is a policy-making matter, but negotiating itself is trying to convince the foreign country that they should not ask more than you are offering, and that they should give you more than they are offering, and any departures from what already has been approved have to go back to the Trade Agreements Committee for approval, so the negotiating process is not itself a policy-making process and the Commission's representative who advises in the negotiations has a very important function. He is the man who knows how to argue with the foreigner as to why we should not reduce our duties further. I think that they perform a very vital function in the negotiations, and it was not a policy-making one, either.

Senator MILLIKIN. Let us say that it is not a policy-making function, but it is not a fact-finding function, either, is it?

Mr. RYDER. No: it is a bargaining function. It is a function of trying to convince the other fellow, the other country's representatives that we cannot go so far as they would like us to go in making a concession. That was our chief job.

Senator MILLIKIN. I suggest, Doctor, it is as far away from a fact-finding function as anything you can possibly imagine, and I suggest

that it is the assumption of the executive duty which is not authorized by law, either under the law as it now stands, under the Reciprocal Trades Act before the present amendments, or under the old Tariff Act.

Mr. RYDER. That is not my interpretation of the law, and I would say also, that I think to a considerable degree the activities of the Commission's experts in connection with these negotiating teams was a fact-finding one, or connected with fact finding, because it was the facts that they had at their disposal which enabled them to try to protect the interests of this country in the negotiations.

Senator MILLIKIN. Under the old system your Commission furnished these digests. You always have to come to a point beyond which you will not go, no matter how you reach it you have to come to that point. Then as a negotiator you are required to work for a point which exceeds the "range of danger," or any other way you wish to put it, indicated by the Commission.

I suggest that you are imposing a very inconsistent duty on a member of your staff or a member of the Commission to go out and root and toot for something which is contrary to your own findings.

Mr. RYDER. He is not rooting and tooting for our findings. He is rooting and tooting to keep the other fellow from going beyond our findings, beyond what we are trying to limit the reduction in duty.

Senator MILLIKIN. I am suggesting respectfully two things. One is that you have no authority and you have never had authority to participate on a negotiating team.

The other is that it is a mixture of executive and fact-finding functions, and that is definitely inconsistent with your strong arguments in favor of limiting the Tariff Commission to a fact-finding agency's duties.

Mr. RYDER. I cannot agree with that point of view, Senator. I do not see that there is any legal impediment to serving, and I think that the Commission's experts serve a very useful function, and one that without which the negotiations would be very much less advantageous to this country.

Senator MILLIKIN. Let us assume that that is correct, there has to be a foundation in law or am I not beyond that? There has to be a foundation for law in that kind of activity for the Tariff Commission or representatives of the Tariff Commission, and if there is such a foundation in law, I would like to have it pointed out to me.

Mr. RYDER. I think by our Legal Division. They can do it.

Senator MILLIKIN. Mr. Martin gave an explanation the other day, but he said you are required to advise the President but there is an enormous gap between advising the President and acting as the President's agent, and I do not want to misquote Mr. Martin, but he did not point out any authority in law for becoming the President's agent in the negotiation of a tariff agreement.

Mr. Martin, am I misquoting you in any way?

Mr. MARTIN. Senator, I did not point that out any more than anyone else has pointed out any prohibition in the law from being the President's agent in the negotiation of that, referring, of course, to the situation before the Trade Agreements Extension Act of 1948. I did point out that in the basic law of the Tariff Commission the Commission is made equally responsible to the President and to the Congress.

There is an equal responsibility, and I do not think the Commission is the exclusive agent of one any more than it is the exclusive agent of the other.

Senator MILLIKIN. Let us assume that the Commission is an agent of both, and let us assume it only. I do not agree with the theory, but let us assume it. That does not give the Commission the right to be an agent in any respect other than that which is provided in the law.

You have not pointed out the provision in the law that allows the Commission to become a negotiating agent for the President in making tariff agreements. I respectfully suggest that that was beyond the intention of Congress when the Tariff Commission was set up.

But, secondly, as to your doctrine of power on the ground that "there is no prohibition," well, of course you can see where that would lead to.

I am sure that that has been a very persuasive doctrine in the actions of many of these executive agencies. But you can see where it leads to. There is no limitation on doing anything if you have to look for an express prohibition rather than looking at what the law tells you to do.

Mr. RYDER. I will not argue that point, but I think that the President has a right to call upon all of the agencies involved to assist in negotiating trade agreements.

I think that from my point of view there is ample legal reason as well as other ground for the Commission's actions. For one thing, the Commission is required by law to cooperate with other Government Departments.

Senator MILLIKIN. You have not demonstrated it, Doctor.

Mr. RYDER. Not to your satisfaction, at least.

Senator MILLIKIN. Now, you commented on the lack of partisan bias on the part of the Commission. How many items did you digest in connection with the Geneva agreements?

Mr. RYDER. I forget the number, 11 or 12 hundred.

Senator MILLIKIN. Some 4,000, I think, sir.

Mr. RYDER. I do not think it was that large, but I have forgotten the number.

Senator BREWSTER. It was about 3,500 of these which were in the United States tariff.

Mr. RYDER. It depends on how you count them, Senator. I do not remember the number, but it was a very large number.

Senator MILLIKIN. Several thousand of them?

Mr. RYDER. Yes.

Senator MILLIKIN. Now, you are going to give information and, I hope, suggest peril points as to some 400 additional items. Has either the Republican Party or the Democratic Party ever brought any pressure on the Commission as parties from a partisan standpoint to try to influence your decision on any of those points?

Mr. RYDER. Oh, no. I have never known of any such pressure, but I am sort of immune to pressure. I have never heard of any and the only point about that is that with the Commission evenly divided between parties, you have usually an equal division on the Commission's views on the philosophy of the tariff question. That makes it in my view doubtful whether the Commission should be called upon to exercise major policy functions.

Senator MILLIKIN. Perhaps also to enter into negotiations.

Now, the reason I raised this political point was because you referred to subjecting the Commission to political vicissitudes. The Commission has not been subjected to political vicissitudes.

Mr. RYDER. I did not mean it in that sense. What I meant was that if the Tariff Commission is called upon either in the peril point work or in having to take a vote to instruct its representative with respect to each item listed for negotiation, that might cause those who do not agree with the Commission's findings to become very critical of them and of the Commission. That the Commission has refrained from decisions of that sort, is one of the reasons that it has been able to maintain its reputation for objectivity. That is the reason I feel very strongly on that particular subject.

Senator MILLIKIN. I am suggesting that with all of this business that you have to do and are in process of doing, the Commission has not suffered any impairment of its reputation by reason of partisan matters. If that is true, I would like to have the details.

Mr. RYDER. As I explained, it was not what I was meaning to say.

Senator MILLIKIN. Now, Mr. Clayton and others have stated before this committee that the Tariff Commission would be subjected to these pressures. Well, the Tariff Commission is not apt to be subjected to any more pressures than the Department of Commerce or any of the other departments, or the President, is it?

Is it a peculiar sort of a honeypot for pressure as distinguished from these other agencies that have a voice in the matter?

Mr. RYDER. At various times, of course, people always try to bring pressure on you, but my own experience has been that the amount of pressure is in inverse ratio to your resistance to it.

Senator MILLIKIN. I think that that is so, and a certain amount of pressure is entirely normal. When we become insensitive to that completely, we are insensitive to the democratic process, I suggest.

Mr. RYDER. I think that that is true.

Senator MILLIKIN. Now, under the act of 1930, what was the function of the Tariff Commission so far as recommending changes in rates was concerned?

Mr. RYDER. Under the Tariff Act of 1930, as under the Tariff Act of 1922, besides its purely fact-finding functions on which it worked up to that time exclusively——

Senator MILLIKIN. What year did you say?

Mr. RYDER. The Tariff Act of 1922. That required the Tariff Commission under certain circumstances to make investigations to determine the cost differences here and abroad, and it also required it to make findings in section 316 of the Tariff Act of 1922 with regard to unfair acts in import competition.

Now, those two duties were continued in the Tariff Act of 1930 with some amendments.

Senator MILLIKIN. Then if you found the need for an increase or a decrease in taxes under that old system, what happened then?

Mr. RYDER. As I stated, I believe in my statement here, under the flexible provision (section 336 of the present Tariff Act), the thing that the Tariff Commission did was to ascertain or find the cost differences and report them to the President, who I believe under the Tariff Act of 1922—and I am going from recollection here—either

could carry out the Commission's findings in reducing the duty, could do nothing, or could make an entirely different finding from the Commission's.

Senator MILLIKIN. How does that differ in terms of power, in terms of the Tariff Commission, from what happens in regard to these peril points?

Mr. RYDER. As far as the power of the President is concerned, and in relation to the Tariff Commission and the President, there is probably little difference. But in regard to the work of the Commission there is a vast difference, because in trying to ascertain the differences in cost of production, and I worked on that for a good many years, although the problems were terrific. You had some objective facts to go on. You had the cost figures and all, and you could arrive at a cost difference. Under this peril-point law, however, we were required to assume a prophetic role, and try to determine in advance on quite arbitrary assumptions what is going to happen at a given rate.

Senator MILLIKIN. I suggest that whether it is done by the Tariff Commission or the interdepartmental committee, the prophetic role comes into play.

Mr. RYDER. I think not.

Senator MILLIKIN. Now, as to the old power of the Tariff Commission, it made its recommendations to the President. That is under the old system that you are talking about?

Mr. RYDER. They were not called recommendations. We made our findings as to the cost of production.

Senator MARTIN. The President could accept them or reject them or do as he pleased, according to your memory?

Mr. RYDER. Under the act of 1922 he could. Under the present act he was restricted either to putting our findings into effect or not doing anything. That is my recollection.

Senator MILLIKIN. And he may do that under the peril-point procedure, may he not?

Mr. RYDER. Oh, yes.

Senator MILLIKIN. Now, you referred to the peril point to the effect that the precise point is unrealistic. I think anyone would agree that any precise point has no complete assurance of the correctness, but you have to reach a precise point in the trade negotiation no matter how you reach it. Is that not correct?

Mr. RYDER. You reach a point, yes.

Senator MILLIKIN. In the end you wind up making an agreement if you do, which consists of schedules which specify points.

Now, those points have been recommended by the interdepartmental committee under the old system, have they not?

Mr. RYDER. That is right.

Senator MILLIKIN. So they were using their prophetic powers, and whatever the combination of philosophies were that brought them to those points. The same thing I suggest is happening at the present time.

Mr. RYDER. I think there is a distinct difference, Senator. The difference is that the Commission's findings required to be made under the tariff law are made in advance of negotiations and cannot be changed. It is there, whereas the rate originally agreed upon by the Trade Agreements Committee if further facts developed in the negotiations or otherwise could be changed.

In other words, it was a flexible point, a point that could be moved. Under the present law the Commission fixes a point beyond which the President is not supposed to go, before the arguments from other departments have been heard.

Senator MILLIKIN. Now, if you make a mistake in this prevision, you can get out of that just the same as you can under the old system if you can, through the escape clause, can you not?

Mr. RYDER. We are talking about two different things here. I was talking about the fact that any decision made in the Trade Agreements Committee could be changed in the light of the facts that were developed in the negotiations. It was not a fixed, unchangeable point, and it was fixed after you had views of all the different Government departments.

Manifestly, in either case, a mistake might be made. There may be developments that will make it necessary to use the escape clause. I helped to draft the escape clause, because when the postwar period began to come on, the elements of doubt were so great that I thought we should have something like that in the trade agreements.

Senator MILLIKIN. Now, Doctor, under the present system, and I am talking about the law as it is now, the Tariff Commission makes its recommendations and the interdepartmental committee continues to function, and I understood you held joint hearings for the convenience of witnesses?

Mr. RYDER. No; that is not right. They were separate hearings.

Senator MILLIKIN. They were held at the same time?

Mr. RYDER. Yes.

Senator MILLIKIN. Concurrent hearings, then, for the benefit of the witnesses and I assume for the convenience of the Government allocations.

Mr. RYDER. Yes.

Senator MILLIKIN. The interdepartmental committee will send its recommendations to the President, and they will be illuminated by all of the facts that they are asking for, and that you supply them, and you will send your recommendations to the President which I assume will be illuminated by all of the facts that you need to get from other agencies, and in the end a point is arrived at. It may be the wrong point, but a point is arrived at, and the thing that we want to make sure is that there is one place where, contrary to your philosophy, there is a direct business focussing on the proposition that no domestic industry should be injured or seriously threatened.

You hand those points to the President, and they may turn out to be wrong, but they have a better chance of being right than if you dilute that point with the judgment of a half dozen other agencies who are not charged with that precise responsibility, and who under the testimony similar to yours mix that question up with all sorts of extraneous matters.

Mr. RYDER. All I can say is that my philosophy of it and yours are different, and my philosophy is one that I have come to through participation in the Tariff Commission fact-finding work.

I do not think that there is any such thing as the peril point which anybody can find, the Tariff Commission or anybody else.

Senator MILLIKIN. Then how are you making your trade agreements?

Mr. RYDER. We are making them by the process which I described.

Senator MILLIKIN. Well, Doctor, do you think that that gives better assurance to the protection of domestic industry than having a little focused advice on something?

Mr. RYDER. Well, I think the situation is that every effort is made and will be made to see that domestic industry is not seriously injured, and if there is any evidence indicating serious injury, actual or threatened, I shall certainly as a member of the Tariff Commission try to see that it is corrected as quickly as possible.

I am just as anxious as you are or anybody else, Senator, to see to that.

Senator MILLIKIN. What I am trying to suggest to you, Doctor, is that whether you do it before or on what Senator Brewster called the "post mortem approach" you have to reach a point, and the point in every one of our trade agreements is the point which has been reached.

Mr. RYDER. That is right.

Senator MILLIKIN. And that is subject to all of the infirmities, and I think more of them, than the method that is provided by this law.

Now, let me come to the next point. You put great reliance on the escape clause. As I understand it, if someone wants to escape, they have to petition, and then——

Mr. RYDER. No; you are mistaken there. The Tariff Commission can on its own initiative institute an escape-clause investigation.

Senator MILLIKIN. The President himself could instruct it; could he not?

Mr. RYDER. Yes; or congressional resolution.

Senator MILLIKIN. And the President himself, without any law, under the general assumption of powers which he claims to have on this subject, could take an escape from anything at any time; could he not?

Mr. RYDER. I would have to look into that.

Senator MILLIKIN. I believe that that is correct. But let as assume that we follow his orders, his rules, and the law as it is, and let us assume that you have not on your own initiative, and by the way, what escapes have you recommended on your own initiative?

Mr. RYDER. None so far, and so far we have had about three applications, I think. Maybe five. Perhaps I counted wrong, but one of those we have dismissed.

Senator BREWSTER. I believe you dismissed two.

Mr. RYDER. That is right. We did. One of them was so long ago that I had forgotten. I remembered the more recent one. That is right.

Senator BREWSTER. Two were pending, and there was one filed this week.

Mr. RYDER. That is right.

Senator MILLIKIN. Now, on your initiative, you have not recommended anything; and on your own initiative, without going into the nature of this, do you plan to recommend anything?

Mr. RYDER. Not right at the present moment. Up to the present time, Senator, as my understanding goes, there have been very few lines in which there has been any very great increase in foreign competition. With respect to most of the articles we have gone over and over again, in our peril-point work, imports which used to be pretty heavy before the war are negligible or nonexistent now. So, there has been so far little difficulty, partially because of the smallness of most of the imports, and partly because of the general prosperity.

Senator MILLIKIN. So far as your initiatory powers are concerned, do you have some red lanterns on any given commodities which you are watching, and which under certain developments you might use your own initative powers on?

Mr. RYDER. Yes; there are a number of commodities. All of the large items on which there is a large degree of import competition are watched more or less closely all of the time, and always have been.

Senator MILLIKIN. As I understand it, you do not intend to use the powers which you may use out of your own authority on your initiative except where you can see an actual damage?

Mr. RYDER. Oh, no. Here is the way it would work, I think. With respect to a commodity on which there has been a concession or trade agreement which has the escape clause in it, if we see that the imports were getting very heavy compared with production and that prices are going down rapidly, we would immediately try to find out what was the trouble, and what were the causes of the situation. Then, if the situation seemed imminent enough or serious enough, we would immediately call an investigation.

Senator MILLIKIN. We have had a number of witnesses here dealing with furs, fish and half-a-dozen other products where imports are increasing very rapidly.

Mr. RYDER. That is right.

Senator MILLIKIN. And where they claim damage. Your Commission is aware of those cases?

Mr. RYDER. In some of the fish lines, there are very large imports.

Senator MILLIKIN. Now, we get away from what you can do under your own power, and we come to what the citizen can do.

There a business either feels it is suffering serious injury or is threatened with serious injury; so it petitions you for a hearing?

Mr. RYDER. That is right.

Senator MILLIKIN. Now, then, you have a meeting, and you consider their preliminary showings, and you decide whether there is, as I call it, a prima facie case sufficient to warrant your making an investigation of a real nature?

Mr. RYDER. That is right.

Senator MILLIKIN. That involves an element of time; does it not?

Mr. RYDER. Yes, but we can act rapidly when it seems necessary to do so.

Senator MILLIKIN. Then, after you have decided to have this hearing, you send out your investigators, and you and your staff commence to work up the data. And that surely would take time; would it not?

Mr. RYDER. Well, I would think——

Senator MILLIKIN. It is not a job that you can do in a day or two or a week; it would take some time to survey it.

Mr. RYDER. That depends upon the circumstances. I think in most cases, if it is anywhere near a clear case, it could be done much more rapidly than that. Our work in section 22 of the Agricultural Adjustment Act would indicate that it could be done rapidly, if necessary and our work in certain other lines would indicate likewise.

In the fall of 1942, for instance, or maybe it was 1941, it looked as if there would be a tremendous flood of imports of silver-fox fur. I was then vice chairman of the Committee for Reciprocity Information. The industry came in to me after it had gone to everyone

else in the world trying to get relief, with nothing happening. There was no escape clause. But pretty quickly we were able to take it up with Canada and get an agreement for a quota limitation on imports. The Tariff Commission did not act in that, but it shows you how it could be done. I am sure the Tariff Commission could take action as quickly as it was done in that case.

Senator MILLIKIN. If it was a complicated case, and involved a large industry and scattered all over the country, operating under different circumstances, and with a highly competitive business, there might have to be quite a little investigation.

Mr. RYDER. That depends, Senator; if it is a very doubtful case, it might be. It might take some time; but, if it was not a doubtful case; no.

Senator MILLIKIN. I will agree with you that one case will take a longer time than another. I am merely trying to refute the proposition that this is an automatic and almost instantaneous process.

Mr. RYDER. Nobody has contended that.

I do not say that it is automatic; but, if the evidence comes pretty clear, action could be taken pretty promptly, as far as the Tariff Commission is concerned.

Senator MILLIKIN. Now, you have got your fellows in the field, and you are studying the data in the office. I assume that you have a real hearing now for the protestant or the applicant, and then you come to the decision. Do you sit around the table and reach a decision? You could say, "No," as you have in several cases, or you could say, "We had better recommend an escape to the President." So you have to get up a report, and you have to document that report and substantiate it, because it is important business that is going to have international repercussions, and it may also have repercussions with your other agencies of the Government. That would take some time, would it not?

Mr. RYDER. Well, that depends. It might or it might not. I will give you an example of one case which shows the speed that can be made. The situation with regard to cotton was important when the Government in 1939 or 1940 put on a subsidy on exports. If you had allowed cotton to be imported without limitation, it would have come in to replace cotton which was exported under the subsidy. So, clearly, something had to be done about imports. It was a pretty clear case, and I think that we made a report on that in a few weeks. I do not remember the exact time. It must not have been over 2 months, at the most, before the President had put the thing into effect.

Senator BREWSTER. Did that stop all imports of cotton?

Mr. RYDER. No. It put a quota limitation on the imports.

Senator BREWSTER. On all imports?

Mr. RYDER. Well, we excepted certain types of cotton.

Senator BREWSTER. The long staple?

Mr. RYDER. No; it applied both to ordinary short staple and the long staple, and those quotas are still in existence.

Senator BREWSTER. So that the import of all types of cotton is definitely limited by quota.

Mr. RYDER. All types except one or two. For instance, cotton over $1\frac{1}{16}$ inch, and so on.

Senator BREWSTER. Historically, the position of the cotton producers has been very much in favor of free trade; has it not?

Mr. RYDER. I think so; yes. Historically, I would say so.

Senator BREWSTER. Historically, yes. How do you reconcile the idea that free trade should apply to commodities by a section which historically and presently is so devoted to the principle of free trade?

Mr. RYDER. I will let them reconcile that. I will not try to do it.

Senator BREWSTER. You recognize the utter inconsistency of the position; do you?

Mr. RYDER. I do not know that the representatives of the Cotton-Growing States are now advocating free trade in the way that they did historically; but, if they were doing it in the way they did historically, it would be inconsistent.

Senator BREWSTER. Is this not true: that, under present world conditions, a quota is really the only effective way of restricting, unless you have exorbitantly high tariffs?

Mr. RYDER. I will put it this way: If you have an emergency that arises, an dyou want to be certain that you are going to control the situation, you would probably have to use a quota, because that is the most certain action which can be taken. Of course, on the other hand, quotas have very grave administrative difficulties, and they are not to be resorted to lightly or freely.

Senator BREWSTER. Or inadvisedly.

Mr. RYDER. That is true.

Senator BREWSTER. Would those who believe in the protective principle at the present time not very much prefer the quota system to the tariff system, probably as a practical application?

Mr. RYDER. They might. I do not know.

Senator BREWSTER. So that a disciple of the quota system has difficulty in arguing against the protective tariff principle from the standpoint of consistency.

Mr. RYDER. I think so, certainly; that is, if the quotas are restrictive quotas. The quotas on long-staple cotton were not restrictive quotas until the last few years, and the quotas on short-staple cotton, I do not think, have usually been restrictive; and, anyhow, there has never been much import of short-staple cotton.

Senator BREWSTER. Do they not have a very limited quota?

Mr. RYDER. Yes, because we had to base it upon a past period.

Senator BREWSTER. If you do not need them, you would not impose them; would you?

Mr. RYDER. It was put on there as a ceiling, you see, to prevent, in view of the export subsidy, any cotton flowing out, and cotton being brought in to take its place while the exporters were getting the benefit of the subsidy.

Senator MILLIKIN. We now have the request for escape out of the Tariff Commission, and it is over on the President's desk or in his hands. Now, would it not be normal and natural for him to consult with other interdepartmental committees on the subject?

Mr. RYDER. I do not know. The President gets the recommendations of the Tariff Commission, and I have no way of knowing whom he will consult with regard to it.

Senator MILLIKIN. I suggest it is a reasonable assumption that he will test the validity of your recommendations by any source of information that is available to him, and especially by those depart-

ments who are also interested in some angles of the subject. That I suggest would take time.

Now, the President looks for the advice that he gets in that process. The President looks across our whole trade picture, and he realizes if he takes an escape there will be compensating escapes, and some of them you cannot foresee and you cannot foresee the repercussions. That I suggest might certainly be a slow-down, and I suggest that it might be a serious deterrent to taking an escape. What do you think, Doctor?

Mr. RYDER. The President no doubt would have to take into account many factors that the Tariff Commission did not take into account. I think that that is correct, and I think that he should. But the President is committed to seeing that there is no serious injury to important American industry, and I think if he was clear in his mind that this would result he would take action. I would think so.

Senator MILLIKIN. I suggest to you, Doctor, that the President's fervor for this repeal bill indicates that he makes a lot of considerations similar to your own and the ones of the Department of State, with that doctrine of noninjury to domestic interests.

Mr. RYDER. I do not mix anything with it.

Senator MILLIKIN. You told us here today that you mix what we get back for what we are giving.

Mr. RYDER. Oh, no. All I said, Senator, was that you cannot fix in advance any point and say that beyond there is going to be serious injury. You know that the lower you reduce the duty, the greater the risk, and where you stop will depend upon the weighing of how fast you think the risk will increase, as you reduce the duty, against what you are going to get for it.

Senator MILLIKIN. Doctor, I would not dream of trying to twist your testimony, but I think that you said unequivocally that you would balance a certain amount of calculated risk against the benefits to be derived.

Mr. RYDER. That was your word, or rather you said the State Department's word.

Senator MILLIKIN. That is the State Department's word, and I think you said the same thing, except that you did not like the use of the words "calculated risk".

You put it in terms of a range of danger points. Am I right on that?

Mr. RYDER. No. I said that you would weigh the increased risks by the increased benefits that you are getting and you will come to a decision. I think that that is the only way it could possibly be done.

Senator MILLIKIN. That coincides with my impression of your testimony.

Now, I suggest that the President under the policy which he has evidenced in this bill intends to adopt roughly the same sort of a rule in connection with his escape clause. It is the rule that the State Department has been very vigorously defending here, that things other than injury to domestic industry should be considered, such as the benefits that we get, and such as the international situation, such as the effect on domestic resources and foreign resources, and so forth and so on.

Anyhow, the President has it on his desk, and he is taking this advice and he is trying to reach a decision. He is considering the repercussions by way of escapes, and in that connection I invite your attention to the fact that when we escape from an agreement to restore employment in this country, the escape that is taken by the other fellow will probaly take that many people out of employment. But passing that, he decides that we will not do anything, which of course leaves the industry unrelieved, and maybe they should be unrelieved, but that is one of the decisions that he makes. He decides as to the escape then. We could do it right now, and he could do it without going through any of this rigmarole, but he goes through all of the business of having the diplomats sound out what the repercussions are going to be, and whether to help the widget industry under that escape, and some other industry, how bad it is going to be hurt in the export line, and so forth and so on, and he goes through all of that. That takes a lot of time.

I am not making any claim about the slowness of the executive departments or anything of that kind, and I do not care who would be the President; it would take a lot of time.

Well, finally, let us say that we decide to make the escape. I suggest to you that under all of that rigmarole, if serious injury is present, the industry is out of business. If it is threatened, probably all of the things that are threatened have happened.

Now, I want to take you to one further development of that thing. We have never tested, I believe you have said practically the same thing today, due to the depression and due to the war, and due to the rehabilitation, we have never had a real test of our rates under the reciprocal trade agreements. If that be true, and especially under this calculated-risk way of making these rates in the past, I do not think it is unreasonable to assume that we would have an enormous concentration of requests for escapes whenever we improved the condition of the world, and get it into something relative to normal.

If we proceeded to take those escapes, I think it is apparent that you have thrown your reciprocal-trade system all out of line, because when the other fellow gets through taking his compensating escapes you have nothing left.

Mr. RYDER. In regard to this balancing that you are talking about, I never said that you balance the injury against the benefits. I said that in any reduction, there is always some element of risk of injury and that you balance the benefits against the risk.

If you make a mistake and take what proves to be too great a risk, that is where the escape comes in.

Now, I agree if you should use the escape clause in a widespread way, you would uproot most of the agreements, of course, but I very much doubt whether that will ever happen. I cannot say it will not happen. I doubt very much whether it ever will happen.

Senator MILLIKIN. I think that your testimony makes it clear that under your view, whether you follow the peril-point procedure or whether you follow any procedure, there are so many unrealities in the picture that you are taking chances on what is finally going to happen.

Mr. RYDER. That is right.

Senator MILLIKIN. That I assume runs all through the thing.

Mr. RYDER. I think that that is largely true under the present world situation. I think, however, that the chances are very much in favor of the agreements being successful, and our whole situation improving, but that is just my opinion, and whether it is correct remains to be determined in the future.

Senator MILLIKIN. Now, Doctor, you will be ready to put in your peril points by March 5?

Mr. RYDER. Oh, yes.

Senator MILLIKIN. On all of these?

Mr. RYDER. The Tariff Commission always follows the law.

Senator MILLIKIN. That is good, and that is very heartening, too.

Senator LUCAS. Even if the Senators do not.

Mr. RYDER. I would not comment on that.

The CHAIRMAN. Are you a lawyer?

Mr. RYDER. No, I am not, I am sorry to say, being in the company of such distinguished lawyers as I am facing now.

The CHAIRMAN. I wanted to remind my distinguished friend here from Colorado that on his continuous emphasis of the stretched-out delays in getting relief under the escape clause, by the same token, and applying the same suppositions, it would take about two eternities to try an ordinary lawsuit that had to start down in some local county in one of the States, and go all of the way around through the courts and up to the Supreme Court of the United States, and maybe back two or three times, but that is no occasion to disregard that process.

Now, as I understand what you have said, Doctor, it is this, on the question of arriving at an exact point that could be characterized as a peril point, that under the old procedure, that is, the procedure prior to the act of last year, the present law, you had all of the facts that you could gather in mind, but you never fixed an absolute point as a practical proposition until actually you had negotiated the treaty. You had gotten to the point where the two parties minds were meeting; is that right?

Mr. RYDER. That is right.

The CHAIRMAN. Up to that point there could be a shift or there could be a change or there could be a modification of it, if any intervening fact called for a shifting or modification.

Mr. RYDER. Yes, sir.

The CHAIRMAN. Whereas under the present system, under the present law, the Tariff Commission must itself as a Commission, and in advance of actual negotiations, but only simply and because negotiations had been decided upon, must sit down and determine a peril point. And beyond that, regardless of what should happen up to the actual hour, when the trade agreement was negotiated, and the parties had met in their thinking, there could be no deviation by the President unless the President threw himself in opposition to the Tariff Commission's findings and judgments, and submitted that to the Congress.

Mr. RYDER. That is right. That is the present law, I think.

The CHAIRMAN. Well, now, I want to emphasize this fact that you say of course there is an element of risk in the change of any tariff duties. There is an element of risk in fixing them originally by the Congress; is that right?

Mr. RYDER. Of course that is right. As you know, I participated in that as an adviser.

The CHAIRMAN. Whatever method you pursue, you are taking some risk, or you are running the risk.

Mr. RYDER. You cannot avoid it, and if you are going to have any trade agreements, you have got to take, I assume, a certain amount of risk. It is unavoidable.

The CHAIRMAN. Very well.

Senator MILLIKIN. Dr. Ryder, you have placed your peril points to the President and he receives this other advice, which I assume he gets. He still has the power to say to his negotiators, "You negotiate within a certain range." If he puts the range so that there is leeway to go below the peril point, why, then of course he makes an explanation.

I suggest he is the master of his own explanation. He can give it all of the support that he wants, and I suggest that if he should do that and do it on good reason, he would have the support of the country, and if he does not do it he should not have the support of the country.

The CHAIRMAN. Very well, Doctor. Thank you very much.

Senator BREWSTER. I would like to ask a few questions.

As I understand you, you quarrel with peril points, but you use it as a twilight zone which people enter somewhat at their peril. At one end of it you are probably safe, and at the other end of it you are probably in a quagmire. Is that a fair statement?

Mr. RYDER. Yes, sir.

Senator BREWSTER. You spoke of 30 and 35 percent as an example, and nobody knew quite which point would make trouble, but somewhere between there you thought probably that in that instance it might come.

Mr. RYDER. I was illustrating that if you fixed a point of 35 percent, it might make it impossible to make an agreement. I have seen negotiations turn on the difference between 30 and 35 percent, or some such difference. I do not think that there is anybody who can determine at least in advance the difference in the effect of 30 and 35 percent duty. You can not get it that fine.

Senator BREWSTER. Then you get down to 25 or 30 percent.

Mr. RYDER. I gave an illustration the last time I testified here, last June. Other people in the Trade Agreements Committee and the other people of the Tariff Commission might have a different view, but I think that on a given article a 50 percent duty was entirely safe, and no injury could possibly result, but I might think with a duty as low as 25 percent the industry would be seriously injured, but where in between those two rates you would fix your duty, cannot be determined precisely. If you put it at 40 percent——

Senator BREWSTER. You are taking a calculated risk.

Mr. RYDER. But if you could give 35 percent, you might get a lot for it, and in the event it might turn out that 35 uercent duty would be entirely safe.

Senator BREWSTER. That is what you would characterize as taking a calculated risk.

Mr. RYDER. In other words, as you reduce the duty, let me repeat, the risk increases somewhat, and in any tariff making, whether by Congress or any others, the element of risk is always involved. You cannot get away from it.

Senator BREWSTER. You recognize that the President has repeatedly stated, and I think others, that they would not consciously allow injury to any American industry.

Mr. RYDER. Serious injury; yes.

Senator BREWSTER. That is the cornerstone on which we are trying to proceed. That is the accepted philosophy. Is that right?

Mr. RYDER. I think that that is correct.

Senator BREWSTER. Then why would there be the objection to having the educated guess of the Tariff Commission, which is certainly the most scientific and nonpartisan body that we have to determine that?

Mr. RYDER. Well, in the first place, your views in a controversial field, and a very doubtful field, are tied up largely with your philosophies, and you have a Commission membership more or less equally divided in tariff philosophy, and, in the second place, I do not believe particularly under existing conditions it is possible for anybody to in advance fix precise points beyond which you cannot go without injury.

Senator BREWSTER. Just a moment. As Senator Millikin pointed out, you finally do fix it, and you finally do make a trade in which you fix points, and you, speaking now of the President, he is obligated that he would not consciously allow serious injury to American industry. I am sure that the President would not be offended if we should suggest that the Tariff Commission, with its great staff and very long experience and technical qualifications, is better able to determine that than the President, with all of his other responsibilities.

Mr. RYDER. I do not think anybody is able to determine it in the way that is required by this law.

Senator BREWSTER. Well, somebody certainly does determine it.

Mr. RYDER. I do not think so.

Senator BREWSTER. You spoke about the various fields. What particular items in the tariff have you concern about at present as to possible prejudice under existing agreements?

Mr. RYDER. I do not think it would be proper for me to go into individual items in my position, as to whether or not they should be considered. There have been increases in imports of certain fisheries items, but I do not think it would be proper for me to say that.

Senator BREWSTER. Does the fishery situation give you any concern?

Mr. RYDER. Fishery imports are increasing, and we are looking into it carefully, and there are other situations of that kind.

Senator BREWSTER. Did you hear the testimony of the fish people here today?

Mr. RYDER. No; it was the first day I was unable to be present. We have been busy carrying through this law, you know.

Senator BREWSTER. They showed that in the last couple of years they have gone up from about 10 percent to around 33 percent. They showed in January of this year it was 20 percent over January a year ago and, if that rate continued, it would become exceedingly serious.

Now, they further pointed out that Canada was heavily subsidizing the production of fish with bounties to building fishing vessels, and the same thing in Iceland and Newfoundland. And there rapidly was developing a productive capacity up there so that when you finally proceeded to your escape clause, then, and found the serious injury, which seemed to so rapidly be developing, you would not only have to consider the consequences to our industry but you would have

to consider very seriously the injury to our Canadian and Newfoundland friends who would have built up a capacity as a result of our lack of foresight that would disrupt both our economies.

Is that a situation that you feel invited your solicitous attention?

Mr. RYDER. Well, of course, in the Tariff Commission, in any findings it would make, it would not have any regard to what effect that would have on Canada. We would have regard under the escape clause only for the effect on the domestic industry. Senator Millikin raised a point as to what the President would do, and as to whether he would take that into account or not I could not say.

Senator BREWSTER. Did the potato situation this fall come to your attention at all?

Mr. RYDER. I have heard of it; yes.

Senator BREWSTER. Did you take action in regard to that?

Mr. RYDER. No.

Senator BREWSTER. Although that became serious enough so that the President did take action.

Mr. RYDER. I do not know much about that. I know some one told me there was an application over at the Department of Agriculture for the President to order an investigation under section 22 of the Agricultural Adjustment Act, but that was never done. Under the Agricultural Adjustment Act, we investigate only on order of the President, and no order of the President ever came over in regard to potatoes. It is just hearsay on my part that there was an application.

Senator BREWSTER. Well, the situation became so critical that under our support program, practically all of the potatoes then being sold in this country were being bought by the Government as a result of the Canadian importation.

Mr. RYDER. I knew that.

Senator BREWSTER. It did not injure the American producers because the Government was paying the bill. It was costing our Government more than $100,000,000 to absorb the production.

Mr. RYDER. That is a case which I do not think could have been handled under the escape clause. It might have been handled only under section 22, and as I say, under section 22 the Commission acts only on order of the President, only when the President directs us to investigate.

Senator BREWSTER. What about the watch situation? Has that come to your attention?

Mr. RYDER. Oh, yes.

Senator BREWSTER. Have you made any investigation of that?

Mr. RYDER. We made considerable investigation of it a year and a half or 2 years ago, and wrote a very extended report on it. Since then I personally have not been able to give much attention to the watch matter. There is no escape clause in the Swiss agreement, so there is no action that the Commission could take. The only thing that could be done would be to investigate and get out a report as it did a year and a half or 2 years ago.

Senator BREWSTER. You are aware that one of the watch companies meanwhile has gone into receivership?

Mr. RYDER. Oh, yes.

Senator BREWSTER. And has the situation on our fats come to your attention? That was testified to at some length here.

Mr. RYDER. On what?

Senator BREWSTER. On fats and oils.

Mr. RYDER. I have not been aware of any very serious situation arising on fats and oils, no.

Senator BREWSTER. I think that he said they had gone up to 600,000,000 pounds. That is what I recall.

Mr. RYDER. Imports of fats. I know that they fell off during the war, and now they have increased.

Senator BREWSTER. During the years of the operation of the trade agreements there has not been a serious test of the peril points; is that right?

Mr. RYDER. No. There were two or three cases where action was taken by agreement with foreign countries before we had the escape clause. The silver fox furs was the most important one. I remember the silver fox furs, because I had a good deal to do with getting the action through. But that was before the war. Since the war there has been no occasion for action.

Senator BREWSTER. How does our protective tariff barrier compare with the period following the First World War, as far as rates and protection are concerned?

Mr. RYDER. You mean before the Tariff Act of 1921?

Senator BREWSTER. Under the Underwood tariff, yes.

Mr. RYDER. It would be hard to compare them. We did have some comparison of it, but I have forgotten how they compare. I do not think the present rates are quite as low as they were in the Underwood tariff, although it might be that they would be lower because of the very high prices which reduce the ad valorem equivalents.

Senator BREWSTER. I think it has been testified that they are 50 percent of the Underwood tariffs.

Mr. RYDER. There are two factors involved there. The first is the reduction of trade agreements of the duties, and secondly the specific duties, the high prices have reduced the ad valorem equivalents of those very greatly.

Senator BREWSTER. So that we are, I think the testimony showed that we are about 50 percent of the fence that we had in 1920 at this time. We have lowered it that much.

Mr. RYDER. All of those figures are given in the summary of the first report on the operation of the Trade Agreements Act, which has been printed and all of you no doubt have copies of it. I do not carry figures like those in my head.

Senator BREWSTER. What was the date of that?

Mr. RYDER. It was issued from the Printing Office 2 or 3 weeks ago. It was completed I would say last summer some time.

Senator BREWSTER. Have you followed the development of European production this past year?

Mr. RYDER. As far as we can, yes. It is very difficult.

Senator BREWSTER. How does that compare with prewar?

Mr. RYDER. Well, it is hard to say. It varies from country to country, as I understand it. Some of the countries have recovered so that their production is higher than it was before the war, at least in value, but the increase in many cases, as I understand it, has been very largely in industries producing for home consumption.

Senator BREWSTER. That is not true about the British, is it?

Mr. RYDER. The British, of course, are tightening their belts and they are living on what we would think is almost a starvation diet,

and some of the fellows that I have met at Havana when I was down there at the conference say that the allowance they get for clothes, the rationing tickets for clothes, is very inadequate.

Senator BREWSTER. They removed that recently, and have they not also bought up most of the Australian wool crop with our money?

Mr. RYDER. I do not know about that.

Senator BREWSTER. You do not know about that?

Mr. RYDER. I do not know that they bought it with our money.

Senator BREWSTER. Then let us say that they bought it, following the very large advances which we made to them.

Mr. RYDER. Well, I would have to look into that.

Senator BREWSTER. Would that interest you at all?

Mr. RYDER. I am always interested in questions of that sort.

Senator BREWSTER. So that what price we pay for that wool will be determined by the people whom we are seeking to benefit. Do you think that that is exactly equitable?

Mr. RYDER. Well, I would have to look into that before I express any opinion.

Senator BREWSTER. What is the British rate of export as compared with prewar?

Mr. RYDER. I have seen the figures recently. In value they are exporting somewhat more than they did before the war.

Senator BREWSTER. How much more?

Mr. RYDER. I forget, Senator.

Senator BREWSTER. Would it surprise you to know it is 158 percent?

Mr. RYDER. Well, that is on a value basis, and I would say in quantity there has been little increase.

Senator BREWSTER. Would the fact that European production outside of Germany was now 18 to 20 percent or 25 percent above prewar give you any occasion for concern as to the impact of their imports upon us during the next year?

Mr. RYDER. I have not seen any indications from any industries that there is likely in the immediate future to be any large increase in imports in many items. There may be.

Senator BREWSTER. What was our rate last year, the rate of imports last year?

Mr. RYDER. I cannot remember the figures, Senator.

Senator BREWSTER. Well, Dr. Ryder, it would seem as though some of these things, was not our rate of import last year the highest in the entire history of this country?

Mr. RYDER. Surely it was; if you want to go into that, I could have told you that.

Senator BREWSTER. Was it not $7,000,000,000?

Mr. RYDER. Yes, it was 7 or 8 billion dollars.

Senator BREWSTER. And it is climbing steadily as we approach the end of the year, so that at the end of the year it was on the upgrade.

Mr. RYDER. Yes, sir.

Senator BREWSTER. The January figures are the only ones which I have seen of that, and have similarly indicated a continuing increase, and yet you testify that you see no occasion for concern that imports are rising to a point that threaten serious injury to American industry.

Mr. RYDER. I say that is in general true. A large part of the increase of imports is due to a very great increase in prices, particularly in

raw materials, and our industries are working at capacity and imports for the industrial production are greater than ever in our history. These and many other factors must be taken into account. You have got to look into the composition of that trade, rather than into the total volume or the total value of it.

Senator BREWSTER. How is it distributed between the free list and the protected list, the dutiable list?

Mr. RYDER. I do not remember the percentage.

Senator BREWSTER. That is all.

The CHAIRMAN. Thank you very much.

Mr. RYDER. Mr. Martin suggested that you may think from my testimony that I took into consideration—I do not know what he means by it exactly—the calculated risk factors in finding the peril points. In finding the peril points under the law, I tried to follow the law as far as I can interpret it fairly and squarely.

Senator MILLIKIN. I think it is clear what you would do under your own system as distinguished from what you are doing under the law in which you are operating.

Mr. RYDER. I hope it is clear.

Senator LUCAS. You mentioned a moment ago that at one time you had under consideration the investigation of the watch industry in this country, as it was being affected by imports. May I ask you what caused you to make that investigation?

Mr. RYDER. Senator, we have authority under the original powers of the Tariff Commission to study and investigate and report to the Congress and the President on any operation of the tariff and on the effect of imports on domestic industry. In carrying out that function, the Commission began a series of reports. We called these reports the War Changes in Industry Series. We planned about 70 reports, but with the pressure of other work, and the reduction of our staff, I do not remember how many we have gotten out, but it is a much smaller number than we expected. One of them, however, was on watches.

In connection with the watch report, we did a considerable amount of work, field, and otherwise, in getting together information on the watch industry. As I stated to Senator Brewster, I believe, there is nothing that the Tariff Commission can do with respect to watches except to publish such a report. Watches are in a trade agreement, and therefore are not subject to section 336, and as they are in a trade agreement which has no escape clause, we can take no action under the escape clause.

Senator LUCAS. I understand that. I was just wondering what effect any recommendation or any investigation you would make with respect to the watch industry would have upon the industry as far as benefiting it is concerned, in view of that trade agreement that we have with no escape clause, and why you made it.

Mr. RYDER. As I said, we planned about the time of the end of the war, these war changes in industry reports, and in doing so we picked out the industries in which we thought there was a probability that there might be import problems in the postwar period. The watch industry is one of those that we picked out to make the study and report on.

Senator LUCAS. Did you make any findings in that report?

Mr. RYDER. No; we discussed the whole situation as it was at that time.

Senator LUCAS. Let me ask you one further question. Was anything ever done by the State Department following the report that you filed?

Mr. RYDER. I think they did get one year a gentlemen's agreement for some limitation on imports, but I think that that was probably before our report was published. I do not think that anything has been done since then.

Senator LUCAS. All right.

Senator BREWSTER. Did the members of your staff operate as negotiators prior to a year ago?

Mr. RYDER. Oh, yes; the members of the Commission's staff who had been members of the country committees have nearly always served in connection with negotiating teams. We have usually considered that they were there in an advisory capacity, but they have and should, I think, if we are going to get the best results, since they are the ones who have the facts, and are familiar with the facts, use the arguments that may be necessary to convince the foreign country that we cannot go more than so far in reducing the duties on certain articles.

The CHAIRMAN. All right, Doctor; thank you, sir.

I believe that completes all of the listed witnesses except Mr. Brown, who is to appear for Mr. Thorp. Are you ready to go on this afternoon?

Senator MILLIKIN. I am perfectly willing to go ahead, but the examination of Mr. Brown will be very lengthy and as far as I am concerned, I would rather go over to tomorrow.

Mr. BROWN. I think Senator Lucas also had some questions.

Senator LUCAS. I had one or two questions with respect to the watch industry.

The CHAIRMAN. You come around and answer Senator Lucas' questions now, if you are prepared to do so.

Senator BREWSTER. Have you heard anything further from Senator Flanders?

The CHAIRMAN. No, sir; I have not. I have advised him that he could be heard, if he wished to. I should make this announcement, that Senator Malone would like to appear before the committee in the morning for a brief statement. Whether it will be confined to trade agreements or will relate to the bill that recently passed the House to lift or suspend duties on copper I am not sure. He was to have been here this afternoon, but on account of the Tariff Commission witnesses, I asked him to come tomorrow morning, and he said that he would come. I told him we would be very glad to hear him at 9:30 tomorrow morning.

I have also notified Senators Smith and Flanders if they wish to make an appearance, they could come in in the morning.

STATEMENT OF WINTHROP G. BROWN, CHIEF OF THE DIVISION OF COMMERCIAL POLICY, COMMITTEE FOR RECIPROCITY INFORMATION, DEPARTMENT OF STATE

Senator LUCAS. Mr. Brown, I had in mind a question or two that was raised on yesterday, I think, before this committee with respect to the import of the 7,700,000 watches that was agreed on between this country and Switzerland as a quota, and according to my information that I have before me, instead of complying with the 7,700,000 units that were presumed to be imported into this country, there was something like 9,600,000.

All of the figures used are including the indirect exports and the direct exports.

Now, I was rather amazed at the discrepancy there, and I am wondering if you have an explanation for it.

Mr. BROWN. I think that I have, Senator.

The agreement of April 22, 1946, between the Swiss and ourselves was an exchange of notes in which the Swiss Government undertook that they would limit the direct exports of watches from Switzerland to this country to the approximate amount of the direct exports in the preceding year. That was the figure of 7,700,000 units. After that agreement was made, they imposed controls over the direct exports of watches from Switzerland to this country.

They established quotas, quarterly quotas for such exports, which were within the 7,700,000 quota.

Now, during 1946, the shipments which were made directly to the United States from Switzerland according to the Swiss records were 7,450,000 units, and that was about 300,000 less than the agreed-upon amount. Our import figures showed imports of something over 9,600,000 units during the same period of Swiss origin. That is a very large discrepancy on its face.

The reasons for it are twofold, one that our import figures are computed on a different basis from the Swiss export figures.

Senator LUCAS. Why should that be?

Mr. BROWN. May I explain further, please.

Secondly, because our import figures include imports of Swiss origin from whatever source, that is, not only directly from Switzerland, but through third countries.

Now, taking up the second point first, because that is the most important, our records showed—Department of Commerce records showed—that in the year 1946 about 1,200,000 watches of Swiss origin came into this country not from Switzerland but from third countries. That was something over which the Swiss had very little control.

Senator LUCAS. What about the United States of America?

Mr. BROWN. The only way in which we could control it was by the imposition of a quota and the Executive, of course, has no authority to impose a quota.

Senator LUCAS. And where do these 1,185,000 watches come from?

Mr. BROWN. They came from South American countries, from Portugal, France, and other places.

Senator LUCAS. Well, was the Government of Switzerland acting in good faith with this country when they permitted this amount of watches to leave their country and go to other countries?

Mr. BROWN. They could not help it, sir. We did not ask them to cease their exports of watches to a third country. We could not do that.

Senator LUCAS. I understand that.

Mr. BROWN. The Swiss did take certain measures, such measures as they could, to control the third-country imports, that is, the watches coming in through third countries. The agreement was reached on the 22d of April, and it applied for the year 1946, so that almost 4 months had gone by already, and many watches had left Switzerland for third countries about which they could do nothing, because they were already out of the country.

If our importers went down to Latin America and bought Swiss watches and brought them in, that was not something which the Swiss Government could control.

Senator LUCAS. I agree with you as far as the first 4 months were concerned.

Mr. BROWN. And then they did take steps in the sense of requiring certain affidavits and assurances from exporters, and the result began to be felt as the year wore on. In the following year, the indirect imports fell off to a very low figure, indeed, so that those controls did become effective over a period of time.

Senator LUCAS. Is that still in effect?

Mr. BROWN. No, sir.

Senator LUCAS. It was in effect for a year?

Mr. BROWN. It was in effect for the year 1946, and the first 3 months of the year 1947.

Senator LUCAS. It was not very effective, as far as keeping the quota down to 7,700,000.

Mr. BROWN. It was as effective as was within the power of the Swiss Government.

Senator LUCAS. What was the number of watches shipped in during the last year?

Mr. BROWN. You mean during 1948?

Senator LUCAS. During 1948; yes.

Mr. BROWN. I think that the figure is 9,044,599.

Senator LUCAS. Let me ask you this question: Has the State Department every pursued that policy further in attempting to try to reach some sort of an agreement with the Swiss people?

Mr. BROWN. No, sir.

Senator LUCAS. Why was it that you did it at that time?

Mr. BROWN. For this reason: That the representatives of the American watch industry came to see us and said that they had been in the position of producing for the armed services and not for the civilian market during the war, as had many other industries, but their situation was different from that of other industries because the Swiss imports had been coming in during the war period and had been bought by the American civilian population. Therefore, they felt that they were at a disadvantage in converting back to or regaining their civilian market, and they said to us, "We want the assurance that we will not be prevented from getting back into civilian production and market again. We feel that we have been working for the national defense, and that we should not be put under any disadvantage for that reason."

They said also to us, "We do not want to stop Swiss imports, we do not want to put the jewelers and importers out of business, and we don't want to prevent the American consumer from getting a watch. All we want is to be sure that for a period of a year or so we will have a chance to get the first crack at the domestic market, and we think, therefore, you should negotiate an agreement with the Swiss which will keep from flooding the market and will let us have a crack at a certain share of it."

Now, the difference of opinion between us and the representatives of the jeweled-watch industry was as to the size of the domestic market. It was their feeling that it would not exceed 5,000,000 units. Therefore, they suggested that we have a quota of 3,000,000 watches, because they expected that their production would be in the neighborhood of 2,000,000, and that that would just about satisfy the domestic demand.

We felt that the domestic demand would be very much greater than that. We thought that it would be at least 10,000,000 watches. We felt their production would be in the neighborhood of 2,000,000, and therefore a quota of 7,700,000 would approximately meet the situation. That was the difference of opinion.

It happened that in that case we were correct, and the market did absorb not only 10,000,000, but something over 11,000,000 watches in that year.

Senator LUCAS. Of course, I cannot understand, if the State Department would make an agreement of this kind, why they would not make an effective agreement, and when the time came that you set 7,700,000 watches to come into the country, regardless of where they were from, that you would have determined that in the beginning and had a definite understanding with these people that when that quota was reached you would put a stop to the importation of watches, otherwise the agreement was innocuous and the same as nothing, because when you look at the statistics for the years of 1944, '45, '46, '47, and '48, you could not get from those statistics that there was ever any agreement between the State Department of this country and the Swiss Government as far as any quota on watches was concerned.

Mr. BROWN. Those things cannot be done immediately, Senator, and if you will notice the imports for the following year, 1947, you will see that they were only 7,800,000 units, and that there is a sharp dip in the level of imports in that year.

To a considerable extent, that reflects the effect of this agreement.

Senator LUCAS. That does not explain the point that I am making at all. The only point I am making is that if you are going to make an agreement with another country, it does seem to me that you should have an effective agreement. In other words, if you say that you are going to deny any importation of watches over and above 7,700,000, there should be some way to enforce that agreement.

Mr. BROWN. We didn't say that, Senator.

Senator LUCAS. What did you say?

Mr. BROWN. We secured an agreement of the Swiss Government that they would limit their direct exports to this country to that figure, and we were unable to secure their agreement because it was not possible for them to control the indirect exports and we in the administration have no legal authority to do so.

Senator LUCAS. I know that, and that is why I think that it was a mistake in the first instance to even consider a gentleman's agreement if it was not going to be effective.

In other words, if the watch industry was not pleased about it, and the Swiss Government was not pleased about it, because undoubtedly somebody along the line sent Swiss watches directly into South American ports, and they never stopped there, they came right on up to this country, because you cannot get 1,800,000 Swiss watches from South American countries unless there is some understanding with the Swiss people. That is my own opinion, based on nothing but my own imagination, but I think there may be something in it.

Mr. BROWN. You would have to get an agreement with our own importers who also would like to tap other sources of supply.

Senator LUCAS. Do you believe from all you know in the State Department about the watch industry in America, that there is a serious injury or a threatened injury to this industry, as a result of these imports coming in?

Mr. BROWN. I do not, sir.

Senator LUCAS. So there would not be any point in attempting to arrange with the Swiss Government an escape clause in the present treaty that you have with them?

Mr. BROWN. No, sir. That does not follow. I believe that all of our trade agreements should have the escape clause in them, and it is certainly our desire and our intent to take every step that we possibly can to get the escape clause in the agreements which do not now contain them, and we are doing everything and will continue to do everything that can be done in that process, which as you know involves a process of negotiation with other countries.

Senator LUCAS. What are the necessary steps in order to put an escape clause in?

Mr. BROWN. Just an agreement with the other country.

Senator LUCAS. Just an agreement on that one point, that is all that you would have to have?

Mr. BROWN. That is all that would be necessary; yes.

Senator LUCAS. Well, I do not want to appear critical at all, but if I were in the State Department and attempting to make an agreement of that kind with another government similar to what you made with respect to the watches, I would hesitate a long time before I went into any agreement of that kind.

The CHAIRMAN. Is there any further questioning?

Mr. BROWN. Mr. Chairman, there was a further point bearing on the discrepancy in imports which I think Senator Lucas might be interested in, and that was that about 900,000 of the larger figure are imports of movements which are classified as watches under our tariff, but are not watches as we normally understand them, and do not compete with the jeweled watches.

There is an arbitrary definition in our tariff based on the width of the portion of the watch called a pillar plate.

Senator LUCAS. You found that out after you made the agreement?

Mr. BROWN. We knew that.

Senator LUCAS. You didn't take it into consideration?

Mr. BROWN. The Swiss limited the direct exports of watch movements, and our statistics show a higher figure, because our statistics include things which are not commonly known as watches.

I wonder if I might put in the record, sir, a study on that point which was made by the Tariff Commission and which gives the detailed figures?

Senator LUCAS. I would like to have it.

The CHAIRMAN. You may put it in at this point.

(The information is as follows:)

UNITED STATES IMPORTS OF SWISS WATCHES AND WATCH MOVEMENTS DURING THE OPERATION OF THE SWISS UNDERTAKING OF APRIL 1946 TO RESTRICT EXPORTS OF SUCH ARTICLES TO THE UNITED STATES [1]

Following an exchange of memoranda between the United States and Switzerland on April 22, 1946, the Swiss Government undertook inter alia to limit shipments of watches and watch movements to the United States during 1946 to a number not in excess of that in 1945; and it undertook to limit shipments during the first 3 months of 1947 pro rata on the same basis. The Swiss also undertook to initiate measures to channel shipments of Swiss watches and watch movements directly to the United States, with a view to discouraging shipments through third countries.

Official Swiss statistics report that exports of watches and watch movements to the United States in 1945 totaled 8,369,000 units. An estimated 650,000 of these, however, were not actually shipped to the United States; they were sent to United States Army post exchanges and naval ships' stores located outside the United States. The Swiss quota undertaking did not apply to these latter shipments; it applied only to shipments made directly to the United States. Those direct shipments in 1945 amounted to approximately 7.7 million units, a number which fixed the basic quota established by the Swiss declaration of April 1946.

For the purpose of limiting direct shipments to the United States in conformity with its undertaking, Switzerland issued export licenses during 1946 and the first quarter of 1947 at the rate of 645,540 units per month. That monthly rate corresponds to an annual rate of 7,746,480 units. Switzerland's export licenses applied only to shipments of timepieces which the Swiss classify as watches. They did not apply to certain other classes of timepieces, such as small-size alarm clocks, which United States import statistics classify as wathes.

Swis offiial statistics report that in 1946, 7,980,000 watches and watch movements were exported to the United States but this figure includes 574,000 units which were shipped to post exchanges and ships' stores outside the United States. Shipments made directly to the United States amounted to 7,405,000 units, or about 314,000 less than the number provided for in the quota agreement.

Swiss official statistics report that during the first 3 months of 1947 approximately 1,732,500 watches and watch movements were exported to the United States. This figure includes 88,400 units shipped to post exchanges and ships' stores outside the United States. Actual shipments to the United States during the first quarter of 1947 therefore amounted to about 1,644,000 units, which compares with a quota of 1,936,600 units provided for in the Swiss declaration of April 1946.

A foreign country's reported exports of any item to the United States in a given year seldom coincide precisely with United States reported imports for consumption of the item from that country in the same year. Frequently, as in the case of watches and watch movements, the disparities are marked. These disparities in statistics arise from four principal causes: (1) United States trade statistics ordinarily credit imports to their country of origin, irrespective of whether the articles are shipped to the United States directly or through third countries, whereas foreign countries report as exports to the United States only those articles which are shipped directly to the United States; (2) differences in classifications used by the United States and foreign countries; (3) the speeding up or slowing down in the rate of shipments during successive year ends; and (4) year-end variations in the stocks of imported merchandise in the

[1] This report is a supplement to the report entitled "Watches" which was released by the United States Tariff Commission on February 3, 1947. That report appeared as No. 20 in the Tariff Commission's War Changes in Industry series. Copies may be obtained by purchase at 40 cents per copy from the Superintendent of Documents, United States Government Printing Office, Washington 25, D. C.

custody of the customs and in bonded warehouses. The disparity between the Swiss and United States statistics on watches and watch movements appears to arise principally from the first two causes outlined above. There was also a speeding up of shipments at the end of 1946 compared with the end of 1945. Airplane transportation was used to a greater extent during 1946 than during 1945. No information is available on the comparative sizes of the 1945 and 1946 year-end stocks in custody of the customs and bonded warehouses.

There are no official statistics showing separately the direct and indirect importations of Swiss watches and watch movements into the United States in 1945, the base year to which the quota applied. In 1946, however, a special compilation was made showing for the first time both the direct and indirect imports for consumption of watches and watch movements. These statistics, which were released by the Department of Commerce, report total imports in 1946 at 9,655,000 units, of which 1,200,000 were Swiss products imported through third countries, and 6,000 were of French origin. The imports reported as received directly from Switzerland therefore total 8,447,000 units, a figure which exceeds Switzerland's reported exports to the United States in 1946 by about 1,000,000 units. United States direct imports of Swiss watches and watch movements in the first quarter of 1947 totaled 1,788,000 units, which exceeds the reported Swiss exports to the United States in that period by about 144,000 units. These disparities between Swiss statistics of exports to the United States and United States statistics of direct imports from Switzerland result principally from differences in the statistical classifications used by the two countries. United States and Swiss authorities define "watches" and "watch movements" quite differently.

United States import statistics distinguish between watches and clocks solely on the basis of width of pillar plate. Any movement whose pillar plate is less than 1.77 inches is classified as a watch movement; and any whose width is 1.77 or over is classified as a clock movement. On the basis of recent information obtained by the Tariff Commission from several informed sources, including importers of watches and clocks and domestic manufacturers of clocks, it is estimated that from 75 to 80 percent of the reported imports of watch movements with pillar plates in excess of 1.5 inches which entered the United States during the 15-month period ending March 31, 1947, were for use in clocks, principally desk and alarm clocks. Virtually all the other imports in this size bracket were for pocket watches.

On the basis of the foregoing estimates, about 850,000 to 900,000 of the timepieces imported into the United States in 1946—and about 130,000 to 150,000 of those imported in the first quarter of 1947—which were classified in United States statistics as watches were classified by the Swiss as clocks and therefore not charged against the export quota they established on watches. These timepieces, although classified as watches for tariff purposes, entered domestic trade channels principally as desk and alarm clocks.

Switzerland's reported exports of clocks and clock movements to the United States in 1946 were valued at the equivalent of $930,000 (the number of units is not reported), whereas United States reported imports of Swiss clocks and clock movements in the same period—both direct and indirect shipments—were valued at $121,000 for 7,075 units. (Presumably direct shipments alone would have been somewhat lower than these figures indicate.) The disparity between the Swiss and United States reports of the value of the clock trade for the year 1946 was approximately $810,000, a sum which could account for the cost of over one-half million inexpensive Swiss alarm clocks. Such clocks are valued at about $1.15 each for the movements and 40 cents each for the cases.

Swiss exports of alarm clocks to the United States were not important prior to World War II. They averaged only $2,000 annually for the 5-year period 1936–40.

If the estimated United States imports of timepieces which the Swiss classify as clock movements but which the United States authorities classify as watch movements were deducted from United States statistics of total imports of watch movements which came directly from Switzerland, the remainder would be between 7.56 and 7.60 million units for 1946, and between 1.64 and 1.66 for the first quarter of 1947. These totals are below the quantities provided for in the Swiss quota agreement (7.7 million for 1946 and 1.9 million for the first quarter of 1947); and they correspond closely with the Swiss official statistics of actual direct exports to the United States (7.4 million in 1946 and 1.6 million in the first quarter of 1947).

TABLE 1.—*Watch movements, cased and uncased: Swiss exports to the United States, 1945, 1946, and first quarter of 1947*

Item	Quantity (number of units)		
	1945	1946	January–March 1947
Total reported exports	8,369,200	7,979,700	1,732,500
Shipments to Army post exchanges and ships' stores outside of the United States	[1] 650,000	574,400	88,400
Direct shipments to the United States	[1] 7,719,200	7,405,300	1,644,100

[1] Estimated by Swiss authorities.

Source: Official Swiss statistics.

TABLE 2.—*Watch movements, cased and uncased: Direct Swiss shipments to the United States 1945, and by months 1946, and first quarter 1947* [1]

Period	Quantity (number of units)	Period	Quantity (number of units)
1945 [2]	7,719,200	1946—November	651,200
1946—January	604,400	December	588,800
February	592,200		
March	693,200	Total, 1946	7,405,300
April [3]	630,000		
May	668,100	1947—January	535,300
June	591,100	February	577,600
July	655,700	March	531,200
August	449,000		
September	616,400	Total January–March, 1947	1,644,100
October	665,200		

[1] These statistics are based on official Swiss reports of exports to the United States exclusive of shipments to U. S. Army post exchanges and ships' stores outside of the United States.
[2] Calculated on the basis of Swiss official estimates of shipments of 650,000 units to post exchanges and ships' stores outside of the United States.
[3] The Swiss agreement to limit exports to the United States was dated April 22, 1946, but applied retroactively to shipments commencing January 1, 1946.

Source: Official Swiss statistics.

TABLE 3.—*Swiss watch and other timepiece movements, cased and uncased: United States imports for consumption, 1945, 1946, and first quarter of 1947* [1]

Item	Quantity (number of units)		
	1945	1946	January–March 1947
Direct imports	(2)	8,447,100	1,788,300
Imports through third countries	(2)	1,202,200	40,900
Total imports	9,398,400	9,649,300	1,829,200

[1] Preliminary for all years.
[2] Not available.

Source: Compiled from official statistics of the U. S. Department of Commerce.

TABLE 4.—*Swiss watch and other timepiece movements, cased and uncased: United States imports for consumption 1945, and by months 1946, and first quarter of 1947* [1]

Period	Quantity: number of units		
	From Switzerland	Through third countries	Total
1945	(2)	(2)	9,398,400
1946—January	689,300	193,400	882,700
February	729,800	160,500	890,300
March	677,300	137,100	814,400
April	871,400	220,600	1,092,000
May	661,900	65,000	726,900
June	628,500	54,700	683,200
July	612,900	36,000	648,900
August	732,800	88,400	821,200
September	227,800	44,000	271,800
October	819,300	104,000	923,300
November	809,000	49,100	858,100
December	987,100	49,400	1,036,500
Total 1946 [3]	8,447,100	1,202,200	9,649,300
1947—January	574,200	15,200	589,400
February	641,000	12,200	653,200
March	573,100	13,500	586,600
Total January-March 1947 [3]	1,788,300	40,900	1,829,200

[1] Preliminary for all years.
[2] Not available.
[3] Figures do not include 5,900 units for 1946 and 6,400 units for January-March 1947 imported from France and of French origin.

Source: Compiled from official statistics of the U. S. Department of Commerce.

TABLE 5.—*Clocks and clock movements: Swiss exports to United States, 1945, 1946, and first quarter of 1947*

Item	Value in United States dollars [1]		
	1945	1946	January-March 1947
Clocks and clock movements:			
Wall and table, except alarm	$294,400	$190,400	$32,500
Alarm	769,400	739,800	176,700
Total	1,063,800	930,200	209,200

[1] Not reported by number. Values in Swiss francs converted at 1 franc equals $0.2336.

Source: Official Swiss statistics.

TABLE 6.—*Clocks and clock movements: United States imports for consumption, 1945, 1946, and first quarter of 1947* [1]

Item	Quantity (number)			Value (dollars)		
	1945	1946	January-March 1947	1945	1946	January-March 1947
Clocks and clock movements (including watches and watch movements 1.77 inches wide or more) valued at:						
$5 each or less	14,100	3,700	240	$31,700	$12,300	$400
Over $5 each	3,800	3,400	820	114,200	109,100	27,600
Total	17,900	7,100	1,060	145,900	121,400	28,000

[1] Preliminary for all years.

Source: Compiled from official statistics of the U. S. Department of Commerce.

Senator MILLIKIN. Now, Mr. Brown, what is the life of the Swiss trade agreement?

Mr. BROWN. It may now be denounced at 6 months' notice. The original 3-year period has expired.

Senator MILLIKIN. So that either party could denounce it on 6 months' notice?

Mr. BROWN. Yes, sir.

Senator MILLIKIN. If the agreement is considered desirable in its over-all aspects, that affords you good leverage for a deal, does it not?

Mr. BROWN. If we consider it desirable from our point of view, Senator, I do not think that it would.

Senator MILLIKIN. Well, assuming the facts are as reported here, do you feel that the favorable trade balance that we have with Switzerland is sufficient to warrant the continuance of that agreement despite the facts which Senator Lucas has developed?

Mr. BROWN. I think it would be desirable to continue the agreement. I think it would always be desirable to have an escape clause in it.

Senator MILLIKIN. As between our choice of continuing the agreement and continuing this situation, would you choose to denounce or would you choose to stand by the agreement?

Mr. BROWN. I prefer not to answer that question, sir, for reasons which I think are quite obvious: that I do not have a definite position on it, and in the second place, if I did have it, I do not think it would be a good thing to have the Swiss know.

Senator MILLIKIN. I mention again that you have quite a little trading point there. As these watches came into this country through this circuitous route, did the State Department know the quantity of those imports, what they usually were?

Mr. BROWN. I do not think that there was usually a considerable amount of third-country imports.

Senator MILLIKIN. Was that factor in mind when the deal was made?

Mr. BROWN. Yes.

Senator MILLIKIN. Still, no proper caution was made against that until it was too late?

Mr. BROWN. We have no power to impose a quota by Executive action.

Senator MILLIKIN. You had the power to deal with Switzerland.

Mr. BROWN. Only to the extent that they would agree.

Senator MILLIKIN. Did you attempt to make allowance for the possible destruction of the agreement by circuitous exports?

Mr. BROWN. They refuse to make any undertaking that they would limit the indirect imports, because they did not think that they could live up to that undertaking as a practical matter, but they did take the measures that were open to them and did effect a very substantial reduction of those indirect exports.

Senator MILLIKIN. As a practical matter, you make a deal with them to achieve a net income of 7,000,000 plus, and that is upset by the circuitous imports.

What affirmative steps did you take not to limit the circuitous imports, but to limit the 7,000,000 if circuitous imports developed?

Mr. BROWN. There were no steps that we could take, we had a defininte agreement on that point, and that was as far as they would go.

Senator MILLIKIN. You believe that would be outside of the realm of a fair negotiation?

Mr. BROWN. I do not understand that question, sir.

Senator MILLIKIN. I think any businessman trying to secure a net effect of 7,000,000 imports would take those protective provisions to bring that result, and with the information before you that the results would be upset by circuitous imports which you could not prevent, you could put elasticity in your 7,000,000.

Mr. BROWN. Sir, I think that I have not made clear what the objective was that we were endeavoring to achieve by the agreement. The objective we were trying to achieve by the agreement was to secure a limitation on the imports of Swiss watches to a figure which would permit the domestic jeweled watch industry during the period ending in March of 1947 to sell all of the watches that it could produce, and that we did achieve by this agreement, because they sold every watch that they could produce, and in the agreement the Swiss undertook to limit their direct imports to 7,700,000 and as far as the direct imports were concerned, that was the agreement that we made.

We knew there would be some indirect ones, and we did not know how much they would be.

Senator MILLIKIN. I am merely suggesting that you did not protect your main base sufficiently against these indirect imports. Now, Switzerland has a completely controlled economy on the watch business, has it not?

Mr. BROWN. There is a considerable degree of Government control.

Senator MILLIKIN. You were here when we read the report from the legation at Bern, and they have control over exports and so the Swiss Government as such can keep that matter in complete control?

Mr. BROWN. Yes.

Senator MILLIKIN. Which I suggest also gives you further bargaining power, and that leads me to the question: Are you attempting to cure this situation with any kind of negotiations at the present time?

Mr. BROWN. I would prefer to state we are taking every step that we can, and will continue to do so to get the escape clause in every trade agreement which we do not have.

Senator MILLIKIN. I am not talking about the escape clause. I am talking about making a further agreement with Switzerland to bring their exports under some sort of an allocation.

Mr. BROWN. No, sir. We are not.

Senator MILLIKIN. Have you any intention of doing so?

Mr. BROWN. Not at the present time.

Senator MILLIKIN. I have received information which I do not vouch for at all, that this Swiss allocation was to be 3,000,000, and that it was pretty well agreed all of the way along the line, including the United States officials, that was mysteriously upset by some intervening influences here.

Just to clear the atmosphere on that, will you make a statement of fact?

Mr. BROWN. The original proposal asked for by the domestic watch industry was a quota of 3,000,000 for the reasons which I gave you (and they estimated that that would be what the market would be). That proposal was made to the Swiss Government and it was incontinently rejected by them, flatly, and absolutely, and they would not even consider it. That was the mysterious influence, sir.

Senator MILLIKIN. And that answers completely what I heard. I heard that Switzerland was inclined to be favorable, but that the deal was almost negotiated when it was upset by some extraneous influence or intervention here.

Mr. BROWN. I am delighted that you asked the question, because that is absolutely not the case.

Senator MILLIKIN. I am glad to hear that. Thank you.

The CHAIRMAN. Mr. Reporter, here is a letter from the Secretary of the Treasury which bears on this bill before the committee, and which you will please enter in the record.

(The letter is as follows:)

TREASURY DEPARTMENT,
Washington, February 23, 1949.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate.

MY DEAR MR. CHAIRMAN: Further reference is made to your request for the views of this Department on H. R. 1211, to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

The bill would extend the Reciprocal Trade Agreements Act to June 12, 1951, and would restore the provisions for the negotiation of reciprocal trade agreements which were effective prior to the amendments introduced by the Trade Agreements Extension Act of 1948 passed by the Eightieth Congress and reluctantly approved by the President. The bill has been passed by the House of Representatives and its action was in response to the President's message of January 8, 1949, repeating his recommendation of March 1, 1948, that the reciprocal trade agreements program be continued as it operated prior to the 1948 legislation.

On June 2, 1948, while the Senate had under consideration H. R. 6556 (80th Cong.) which later became, with amendments, the Reciprocal Trade Agreements Extension Act of 1948, I set forth the views of the Treasury Department on the bill in a letter to the then chairman of the Committee on Finance of the Senate. At that time I wrote:

"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."

A detailed report on the difficulties encountered in administering the reciprocal trade agreements program in accordance with the procedural requirements set forth in the 1948 act has been put before the House Committee on Ways and Means by the Department of State and will be presented by that Department to your committee. The Treasury Department shares responsibility for the administration of the program and is in full agreement with the statement of the Department of State.

However, there is one aspect of the question which I particularly wish to bring to the attention of your committee. Under the provisions of the Bretton Woods Agreements Act, I serve as Chairman of the National Advisory Council on International Monetary and Financial Problems, the interdepartmental body which has responsibility for coordinating the policies and operations of this Government in the foreign financial, exchange, and monetary fields. Currently, the Council is giving its primary attention to a series of far-reaching programs involving financial assistance for other countries of the world. In carrying out these functions, the Council has constantly borne in mind the policies enumerated by the Congress in this connection, calling for the progressive reduction of trade barriers, the elimination of unfair trade practices, the expansion and balanced

growth of international trade, and the establishment of stable international economic relationships (Bretton Woods Agreements Act, sec. 14; Economic Cooperation Act of 1948, sec. 102 (a)).

The achievement of these aims and the restoration of a healthy international economy cannot be accomplished merely by looking backward toward a restoration of prewar conditions. Far-reaching developments in world economic relationships require that we plan for a changed basis for international economic stability, if our friendly partners in the world community are generally to achieve economic self-sufficiency. The careful and selective study and progressive elimination of trade barriers must go hand in hand with the programs of financial assistance we are administering. For this reason I consider the reciprocal trade agreements program to play a vital role in supporting our foreign financial policies.

For the foregoing reasons, I strongly urge that your committee give favorable consideration to H. R. 1211.

This Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

JOHN W. SNYDER,
Secretary of the Treasury.

Senator MILLIKIN. The material that you are going to supply me, Mr. Brown, and which you supplied to Mrs. Springer, was sent over to the printer to be put into the record, and the material is very important for my further examination of yourself, and so I would like to have copies of that material sent to my home tonight so that we do not have a lot of delay in waiting to get that back from the printers.

Mr. BROWN. I will do my best. We sat up pretty late late night getting that original copy for you.

Senator MILLIKIN. Do you not have a copy of that?

Mr. BROWN. I think that we may have a copy.

Senator MILLIKIN. The material is important in my examination, and by a misadventure for which I am not responsible and for which I blame no one, the material went to the printer's office, and is unavailable to me.

Mr. BROWN. Senator, if you would not mind an extremely rough and perhaps a little bit messy copy, I will be glad to give you the one was prepared for me.

Senator MILLIKIN. As long as the facts are the same, it is entirely agreeable to me.

The CHAIRMAN. Do you have that here?

Mr. BROWN. Yes; I have it here because I thought Senator Millikin was going to ask me about it.

The CHAIRMAN. I have a number of documents which have been received by the committee, and I will insert these documents in the record at this point.

We have received a statement from Harry B. Hilts, secretary, Empire State Petroleum Association, Inc., and a statement from Senator Francis J. Myers of Pennsylvania.

We have received a statement submitted on behalf of the American Association of University Women.

There is also a statement of C. T. Murchinson, President of the Cotton Textile Institute, Inc.

There is a further statement of Marion R. Garstang, counsel of the National Cooperative Milk Producers Federation, which will be inserted.

There is also a statement prepared by Miss Eleanor Neff, associate secretary of the department of Christian social relations and local church activities of the Methodist Church, which will be inserted.

We have received a communication dated February 21, 1949, from the executive committee of the footwear division of the Rubber Manufacturers Associations, Inc., and signed by Charles H. Baker, of the Goodyear Footwear Corp., J. S. Barrie, of the Hood Rubber Co., E. H. White, of the United States Rubber Co., and by C. P. McFadden, of the Rubber Manufacturers Association, chairman of the footwear division.

We have likewise received a communication dated February 21, 1949, from John H. Davis, executive secretary of the National Council of Farmer Cooperatives, attached to which is a statement which we will submit for the record.

There is also a statement of Julian D. Conover, secretary of the American Mining Congress, which we will insert in the record at this point.

In addition we will insert Circular No. 53 from the Munitions Board entitled, "Current List of Strategic and Critical Materials"; also a statement submitted by the American Veterans Committee; and a statement of John G. Wright, president, Boston Wool Trade Association.

(The documents are as follows:)

STATEMENT OF HARRY B. HILTS TO THE FINANCE COMMITTEE OF THE U. S. SENATE, OPPOSING OIL IMPORT QUOTAS

My name is Harry B. Hilts. I am secretary of the Empire State Petroleum Association, Inc., and executive secretary of the Atlantic Coast Oil Conference, Inc., both of 122 East Forty-second Street, New York 17, N. Y.

The members of both associations are small-business men engaged in distribution and marketing of gasoline, heating oils, and other petroleum products in New York and in the States of the Atlantic seaboard from Virginia north to and including New Hampshire.

We are opposed to Government restrictions on petroleum imports. Our interest in this subject is both narrow and broad. It might be said that we are pleading special consideration for a particular segment of the industry. We are; but it so happens that the interests of these small-business men coincide not only with those of similar groups elsewhere but also with the interests of petroleum consumers. I doubt if there is a single person in this country who is not directly or indirectly a regular consumer of petroleum. So our interest has a broad aspect—probably as broad as any which comes before Congress.

I might point out, in this respect, that the interest of the consumer is our paramount concern. We, as a component of the petroleum industry, are closer to the consumer than any other part; so much so that, in the competitive race for the consumer's acceptance of our industry's products, we must at all times be highly sensitive to his buying habits, his ability to purchase our products, and our ability to maintain an uninterrupted supply of products he uses.

At the same time, we, along with the manufacturers of oil-consuming devices, are responsible for creating the consumer demand for industry's products.

Therefore, our reasons for opposing import restrictions on petroleum are simple.

Firstly, we want to prevent any move which might result in the reimposition of allocations and quotas for our dealers and distributors. We want to be able, at all times, to obtain enough oil products to meet the needs and desires of our customers.

It seems to me that this coincides with the public interest. It also appears to me that this coincides with the original intent and purpose of the Reciprocal Trades Agreement Act as being in the public interest and not in the interest of any particular group.

Last winter's congressional investigations, the front-page newspaper stories, and the public clamor are evidence enough of the public interest in an oil supply sufficient to meet demand and at the same time furnish an adequate safety factor.

In this particular respect, I should like to publicly acknowledge our group's keen appreciation of the sympathetic understanding and assistance of those able men in the Eightieth Congress, such as Senator Tobey, of New Hampshire, Senator Brian McMahon, of Connecticut, and the present majority leader of the House, the Honorable John W. McCormack, and others too numerous to mention. Without the understanding of these broad-thinking men our ability to come through last year's trying period would have been more difficult than it was.

Secondly, there is the question of price. Our organizations do not want to see any possibility that the price of oil might be bid up because of an artificial scarcity. We would lose business to competing fuels—gas and coal. We would incur the ill will of our customers. If prices go up because of increased costs, this is elemental and can be easily explained. But price rises which might result from an artificial scarcity created through congressional action or by any other means are something we in the front lines of petroleum distribution would vigorously protest.

Need I point out that this narrow interest of ours in reasonable prices coincides with the interest of the consuming public.

There is at the present moment a slight surplus of productive capacity in the country. How, then, could import restrictions create an artificial shortage? In several ways:

First, the Texas Railroad Commission has already issued orders shutting down a number of oil fields where there is said to be an excessive waste of natural gas. These orders have not yet come into effect, pending review by the courts. However, the courts have recently upheld the Railroad Commission in one instance—the Heyser field. It is possible that the other orders will be upheld in all or many cases.

It has both proposed to you that imports be limited to the estimated amount needed to supply estimated demands after producing all fields in the country at their estimated maximum efficient producing rates regardless of the gas wastage and uneconomical transportation involved. Such a limitation combined with the drop in Texas production, which would occur if the Railroad Commission's orders are carried out, would create a shortage surpassing any that this country has even experienced.

Second, suppose that the Railroad Commission should rescind or modify its orders and allow maximum production regardless of gas wastage. I have already mentioned that the proposed import restrictions would be based on estimates. We have had some experience with estimates, official and unofficial, in the past few years. The year of 1947 is a good example. At the beginning of the year, estimates of increased demand varied between 4 percent and 7 percent above 1946. Productive capacity appeared to be sufficient—so much so that the allowable production in January 1947 was cut below even the average of the previous year. The Independent Petroleum Association of America, which is now sponsoring limitations on imports, was vigorously campaigning for further reductions in allowable production. What happened? Demands increased sharply throughout the year averaging 11 percent above those of 1946 or 7 percent to 4 percent above the estimates. This increase in demand in the short period of 1 year was approximately 579,000 barrels daily. The increase alone was more than the total imports that year—or any other year before or since. The unexpected high demand of 1947 was followed by a cold winter. You all know what happened. We got through the winter only by the skin of our teeth, with the help of consumer conservation and voluntary allocations by the oil industry. Who can estimate the demand this year or next? Who can predict the weather and the many other factors which influence demand? Certainly not the Independent Petroleum Association of America or the Railroad Commission. Shall we unnecessarily risk a shortage by setting rigid limitations on supply based on estimates which can certainly be no better than those of early 1947? Can we afford to gamble with the health, comfort, and convenience of our people, and the maintenance of our full industrial and transportation capacity, when there is no need for such a gamble?

But perhaps there is a need. Perhaps the domestic oil producer is suffering, as implied by the Independent Petroleum Association of America. Let's examine the situation to see if perhaps this desperate gamble may not be desirable.

In 1941 domestic crude oil production averaged 3,842,000 barrels daily. Production then was at about 80 percent of capacity.

At present, after the recent cutbacks in allowable production, the output of crude is about 5,400,000 barrels daily. Production now is at about 95 percent of capacity.

Production is up 40 percent and unused productive capacity has dropped from 20 to 5 percent.

It is for you gentlemen to judge whether or not this suffering of the domestic producer justifies the gamble I have described.

Now let's examine another phase of this situation; crude inventory. A perusal of Bureau of Mines figures discloses some significant and startling facts.

Year	Total demand, barrels per day	Crude stocks in barrels	Year	Total demand, barrels per day	Crude stocks in barrels
1936	3,346,000	288,600,000	1940	3,981,000	264,700,000
1937	3,678,000	306,800,000	1946	5,321,000	224,500,000
1938	3,646,000	275,000,000	1947	5,900,000	224,900,000
1939	3,891,000	240,000,000	1949	6,675,000	242,700,000

At the year-end of 1948 the above figures disclose we had a total (estimated) demand of 6,675,000 barrels daily, double the year 1936. The Nation had an estimated crude reserve (above ground) of 242,700,000 barrels, which was about 18,000,000 barrels above the year-end 1947 crude (above ground) reserve. This reserve (242,700,000 barrels) represents only about 4 days' safety factor above safe minimum stock working levels. While I am not prepared to say just what the safety factor should be in days' supply above safe working levels, obviously with the addition of increased dead storage as a result of pipeline development during the last several years, a 4-day safety factor is not enough for a nation with an oil consuming capacity such as we have.

Further, we should like to point out that the nonintegrated independent refiner is a very vital factor in our industry as a source of supply. For sometime in the past he also has had his troubles in obtaining a sufficient supply of crude at posted market prices to maintain constant and efficient operations. These operators must be preserved and they can be preserved if the industry is allowed to function free of artificial pressures and restrictions such as presently are being proposed to this committee.

The independent refiner would always be unable to cope with artificiality, such as presently exists in some of the oil compact States. This artificiality is the direct result of the cartel-like control over crude oil production presently being exercised by some of the oil compact States.

To substantiate this statement we quote from a published press interview with Texas Railroad Commissioner Thompson. In discussing the recent Texas cutbacks, he said, "because we just will not allow Texas oil to be produced when there is no market." He said these cutbacks had "saved" the price of crude while providing a reserve productive capacity that would be needed in the event of another war.

If any group of American businessmen had made the same statement, they would have immediately been indicted for monopolistic practices and price fixing. In fact, the World-Telegram of February 21 published an item reporting that eight companies are being sued because the State of Texas alleges they prevented a crude price increase.

The statement by the chairman of the Texas Railroad Commission, along with the above-mentioned Texas antitrust suit, has somewhat confirmed the suspicion that has been in the minds of many competent observers in the oil industry—that some of the oil compact States are more interested in price maintenance of crude oil than they are in conservation. And this, gentlemen, would be in direct violation of the permissive law creating the compact commission.

A further indication of the impact of this artificiality on the nonintegrated refiner, is the fact that at the present artificial crude price level, he is reported to be losing between 30 and 50 cents per barrel on refinery realization when based upon the low markets for cargo sales at the Gulf.

Yes, gentlemen, we have a vital consumer interest to protect. The States in which our members operate comprise the heaviest consuming demand area of the

Nation. We consume (approximately) 25 percent of all the gasoline produced, 49.8 percent of the kerosene production, 46.2 percent of the distillate oil production and 34.9 percent of the residual oil production.

Obviosuly, the consumers in this most important area have the right to demand of their Government the protection so vital to their welfare and comfort which is so dependent upon an uninterrupted continuous flow of supply.

The lethargic condition presently existing in the industry is the result of two important factors:

(*a*) The unusual warm winter prevailing in the heavy demand area the North Atlantic seaboard.

(*b*) Consumer resistance to high cost of fuel. (It should be pointed out, however, in this respect, that fuel oil prices are in their fifth round of reduction at the consumer level without any drop in the price of crude.)

One large importer of foreign oil has publicly reported cutbacks in their imports. The press release stated that, with the warm weather they do not need to import as much as originally planned.

We do not know, nor can anyone say, when conditions will change and we will again need to augment our own domestic supply. If there are no quota restrictions, here is a safety factor we cannot afford to throw away.

Gentlemen, we reiterate, we are opposed to Government controls of industry. One Government control always calls for another and then another. We are particularly opposed to any congressional action which would tend to create artificial shortages, and foster unwarranted price increases.

Yes, we in marketing have a selfish motive. We do not want to lose business nor incur the ill-will of our customers. At the same time, we think it is obvious that if your primary concern is to protect the American consumer, the decision will be to avoid any new artificial restrictions on petroleum imports and to consider elimination of those which already exist.

We have stated our position sincerely and objectively. It is for you gentlemen to judge whether or not the gamble proposed by the Independent Petroleum Association of America, in attempting to exploit the American oil consuming public, for their own selfish purposes, is justifiable and in the interest of the oil consuming public. We contend it is not. We respectfully thank you for the privilege of making this statement.

STATEMENT BY SENATOR FRANCIS J. MYERS OF PENNSYLVANIA TO UNITED STATES SENATE COMMITTEE ON FINANCE ON H. R. 1211, A BILL TO REPEAL THE ACT OF 1948 EXTENDING THE RECIPROCAL TRADE AGREEMENTS ACT FOR ONLY 1 YEAR IN MODIFIED FORM AND TO REENACT THE PREVIOUS RECIPROCAL TRADE ACT FOR 3 YEARS FROM JUNE 12, 1948,

At Philadelphia last July, the Democratic Party drafted a national platform which contained this unequivocal statement:

"We pledge ourselves to restore the reciprocal trade agreements program formulated in 1934 by Cordell Hull and operated successfully for 14 years—until crippled by the Republican Eightieth Congress."

This bill, H. R. 1211, as reported by the House Ways and Means Committee and as passed by an overwhelming vote of the House on February 9, is the vehicle for carrying out that pledge. It repeals the Eightieth Congress act and extends the previous act for 3 years from last June.

The Democratic House in the Eighty-first Congress has done its part on this issue, and I am sure the Democratic Senate in this Congress will do likewise.

As chairman of the committee which drafted that platform, I realize, of course, that not every pledge in the Democratic platform has the complete and enthusiastic backing of every Democratic Member of Congress. The platform, however, does represent the convictions of the majority of the delegates to our convention on every issue, and the almost unanimous opinion of the party's representatives in Congress on most issues.

This is one of those issues on which our party has stood united and strong over the years since the first Roosevelt administration.

All of us in the Democratic Party have welcomed the support of a great number of outstanding Republicans and of the great mass of the Republican rank-and-file of voters on the issue of reciprocal trade, which is recognized as an integral part of the bipartisan foreign policy, a foreign policy which is slowly but steadily winning the battle for a decent world in which men can be free.

As I listened to the debate in the Senate last year on the crippled reciprocal trade bill which was then before us, and as I have reread that debate from time to time since then, I became convinced that the responsible spokesmen for the bipartisan foreign policy on the Republican side of the aisle in the Senate were struggling desperately to save as much of the original act as possible but were forced to go along with this crippled bill out of a fear that any attempt to strengthen it—as the then Senator Barkley and just about all of the Democrats sought to do—would result in a stalemate with the House leaving us with no reciprocal trade act at all.

This fear was indicated in the speeches of nearly all of those Republicans who have joined with us in a genuine defense of the bipartisan foreign policy.

The situation is entirely changed now. The House has given us a good bill—a bill which conforms in almost every detail with the original Cordell Hull program, a bill which adopts the principles which we attempted to put back in the act by means of the Barkley amendments of last year, all of which were defeated on strict party-line votes.

Every Democratic Senator, I firmly believe, who was here last year and who supported the Barkley amendments will support this bill as it came from the House this year. And the new Democratic Senators who ran on the Democratic platform are, I am sure, committed to the forthright pledge it contains on the reciprocal trade program.

The folly and fallacies of the bill passed last year by the Republican Eightieth Congress became obvious shortly after the bill was enacted. The State Department attempted to enter into negotiations with other nations for new trade agreements, reciprocally reducing tariffs and thereby stimulating international trade and thus stimulating one of the greatest avenues to the achievement of world peace.

It discovered, according to information which I obtained from the Department from time to time over the summer and fall, that it found great reluctance on the part of many nations even to join in initial conversations for the simple reason that the act under which these agreements were to be negotiated had a life of only 1 year—and that the first 9 or 10 months of that year would be consumed in preliminary procedures required under the truncated act.

Sure enough, after a number of nations did indicate a willingness to discuss reciprocal tariff reductions on a variety of products, the whole matter had to be turned over to the Tariff Commission for these seemingly endless investigations and studies in regard to so-called peril points. The Republican act of 1948 required that the Tariff Commission be given 4 months for this research.

Thus, under this present act, it will be about April 1 before the State Department and the nations with which it has held preliminary discussions on new agreements can again sit down and resume negotiations on specific tariffs. That means that the 1-year program authorized by the Republican Eightieth Congress could not even result in its first new agreement before 10 or 11 months after its passage.

I am afraid that if the same party which had been in power in the Eightieth Congress had succeeded in capturing the Eighty-first Congress, the reciprocal trade program which was so badly battered in the Eightieth Congress would have been dealt the final death blow in the Eighty-first.

Most Americans genuinely concerned about our bipartisan foreign policy recognized that fact regardless of their political affiliations or views on domestic issues.

Throughout the Eightieth Congress, there was an obvious feeling of tension among supporters of our foreign policy that isolationism as reflected in such a large group of the majority party of the Eightieth Congress would destroy the careful groundwork which had been laid for world peace and world decency.

This tension evaporated completely when the new Congress was elected. The American people were sure that this Congress would give more than lip-service to the bipartisan foreign policy but would implement it with legislation and, when necessary, with funds.

That is what we in the Democratic Party intend to do and that is what we will do.

I therefore sincerely urge that those Republican members of this committee and of the Senate who believe in the bipartisan foreign policy, as many do, join with the majority party in reporting out this bill favorably, without any of the unlamented provisions of the bill enacted last year, and help us to put this program back into operation along the lines it followed so successfully for 14 years.

STATEMENT SUBMITTED TO THE SENATE FINANCE COMMITTEE ON BEHALF OF THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN ON RECIPROCAL TRADE EXTENSION BILL, H. R. 1211

The American Association of University Women, having supported the Reciprocal Trade Agreements Act since its inception in 1934, wishes again to go on record in support of the principles embodied in that measure.

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. At the last biennial convention of the AAUW, in April 1947, the association voted continued support of the principle of reciprocal trade agreements.

Under this convention mandate, the association during the Eightieth Congress opposed crippling legislation which was believed not to be in harmony with the principles of reciprocal trade and international cooperation.

Support for the Reciprocal Trade Agreements Act, as originally passed, was given with the awareness that neither the needs nor demands of the American consumer nor the requirements of our national defense could be met within the boundaries of our domestic territory. The passage of time has served to strengthen that position. The AAUW believes that the reciprocal trade program is a vital cornerstone in building a stable world order; that international good will rests upon the economic well-being of the people of the world.

Reciprocal trade is not simply a domestic issue; it is closely allied to and is an integral part of our whole foreign policy. Tariff reductions should be considered on the basis of the over-all interests of the American people, and the interests of the different segments of American industry and agriculture should be considered together in the light of the public interest. This can best be assured by returning the Tariff Commission to its original position in the interdepartmental trade agreements committee.

The AAUW therefore urges favorable action on H. R. 1211 which would provide for a Reciprocal Trade Agreements Act in the form which was in effect prior to June 1948.

STATEMENT OF C. T. MURCHINSON, PRESIDENT, THE COTTON TEXTILE INSTITUTE, INC., TO SENATE FINANCE COMMITTEE ON H. R. 1211

The Cotton Textile Institute, on behalf of the cotton textile industry welcomes this opportunity to express its opposition to H. R. 1211.

Although the cotton textile industry has never been a proponent of the trade agreements program its objections to it were directed primarily to the administration of the law and the apparent philosophy on which it has for quite some time rested. In common with the American textile industry as a whole and other industries subject to severe international competition, we believe that the State Department has strayed far from the original purposes of the program and has forgotten the assurances given by the President to the Congress in 1934 "that no sound and important American industry will be injuriously disturbed" and that "the adjustment of our foreign-trade relations must rest on the premise of undertaking to benefit and not to injure such interests."[1] At the hearings in 1945 and again in 1948 we emphasized that the Congress failed to provide the State Department with satisfactory criteria in exercising the great constitutional authority which the Congress had delegated to it. The importance of such criteria became more evident to us with each extension of the law because in presenting its case the administration attributed to the program objectives and purposes completely foreign to the original purposes and objectives of the act and all of which called for a persistent and ever-widening reduction of import duties.

In the Trade Agreements Act of 1948 the Congress for the first time since the inception of the program undertook to provide a standard to guide the State Department by empowering the Tariff Commission to advise the President on the limit beyond which the duty on an imported product may not be cut "without causing or threatening serious injury" to the domestic industry producing like or similar products. Although the opinion of the Commission is merely advisory and not controlling, the amendment enlarging the power of the Commission, in

[1] Message to the President, March 2, 1934, transmitting a request to authorize the Executive to enter into commercial agreements with foreign nations.

our opinion, marked a great advance on the administration of the law. For the first time in the life of the law American industry received some assurance that domestic economic criteria would secure at least as much consideration as international political considerations.

Although the present law is less than a year old, hardly sufficient to test its effectiveness, the administration would wipe out the advance made last year by the enactment of H. R. 1211. The basis of the administration's opposition to the present law is difficult to understand if its assurance, repeatedly given, that it has no desire to injure an important American industry is to be accepted at face value.

According to the Assistant Secretary of State for Economic Affairs, the administration's opposition to the present law rests on the following objections:

1. It gave the President authority for only 1 year instead of 3 to enter into tariff agreements with other countries.

This limitation can, of course, be eliminated by the simple process of extending the present law for two additional years.

2. It has caused the duplication of effort by requiring the Tariff Commission to hold hearings in addition to those held by the Committee for Reciprocity Information.

As a matter of fact, based on our own experience, the dual hearings involved no duplication of effort. Copies of briefs filed by the cotton-textile industry with the Tariff Commission were also filed with the CRI; and, since the former was specifically ordered by law to consider peril points, the industry for the first time since the inception of the program had a feeling of assurance that its briefs would actually receive detailed study of a disinterested and nonpartisan character.

3. It removed a key participating agency, the Tariff Commission, from the central interdepartmental organization which recommends concessions to the President for inclusion in trade agreements and direct negotiations.

As a matter of fact, the Tariff Commission, as such, never had a role in the interdepartmental organization. Its only function was to provide representatives who served in an individual capacity and not as representatives of the viewpoint of the Commission as a whole.

Actually the role of the Tariff Commission has been raised to a higher level by the Trade Agreements Act of 1948; and for the first time since the inauguration of the program the Commission is performing its statutory role, providing factual data and nonpartisan judgment on the degree of protection that is necessary to preserve a domestic industry.

If, as the Assistant Secretary states, it is desirable to have the Commission's members and experts participate in the making of decisions with respect to proposed terms of any agreement, we suggest that this committee consider amending the law to permit such participation after the Commission has given the President its independent judgment on the so-called peril points.

4. The requirement that the Tariff Commission report what it finds to be the minimum tariff and other import restrictions, or the increases in tariffs or import restrictions, necessary to avoid the threat of serious injury to domestic industry producing any article under consideration for trade-agreement concessions.

The Assistant Secretary emphasized that the determinations of the Commission are to be made without regard to any national or international considerations, such as benefits to be obtained from other countries, long-term needs of the economy for expanding markets, the necessity of obtaining the best possible use of domestic resources, etc. The 1948 act, said the Assistant Secretary, "practically makes * * * narrow protectionism the sole criterion for determining concessions. * * *"

The fourth objection, in our judgment, constitutes the real basis for the administration's opposition to the present law and offers the best evidence that this law is being administered with little regard for the assurances first given by President Roosevelt and reiterated by the present administration: "that no sound and important American industry will be injuriously disturbed" and that "the adjustment of our foreign trade relations must rest on the premise of undertaking to benefit and not to injure such interests."

Under H. R. 1211, said the Assistant Secretary, "we shall have a clear mandate to broaden the basis of United States foreign trade, to create purchasing power for American exports and to guide the economy as a whole into the most productive lines possible." With this statement, in our judgment the most forthright ever made by an administration spokesman regarding this program, the Assistant Secretary revealed what we have long believed to be its fundamental

purpose: the whittling away of those industries which the State Department, by standards of its own making, regards as inefficient or less productive.

Under this so-called clear mandate, the State Department could decide that the creation of foreign purchasing power and the guiding of our economy as a whole into the most productive lines possible justifies the reduction of import duties on textiles without regard to the consequences to the domestic industry. The frank statement of the Assistant Secretary and the apparent pride of the administration in the achievements of the program which has driven down tariff rates at home and failed to halt the rise of barriers abroad explains the criteria of the administration as expressed in the following quotation from an official document:

"Both in the negotiations and in the appraisal of these agreements * * * emphasis might well be placed less on the concessions obtained from other countries and more on the reductions effected by this country.

"As the most practicable means of lowering the tariff wall, the reciprocal-trade-agreements program should be prosecuted as vigorously as possible not only after but also during the present conflict." (The United States in the World Economy, Economic Series, No. 3, U. S. Department of Commerce, 1943.)

Judged by these criteria, the application of the Trade Agreement Act on the cotton-textile industry has indeed been effective. At the beginning of 1948, with the promulgation of the Geneva agreement, 57.7 percent of all dutiable items in the cotton-textile schedule had import duties below the levels set in the act of 1930. For the industry as a whole, the reduction in the average ad valorem rate was from 3.3 percent in the preagreement period to 28.9 percent in 1948, the lowest level since 1913.

At the same time that we were lowering duties on cotton textiles, foreign countries were raising their barriers against American cotton textiles. Against these foreign barriers, the trade-agreements program has been ineffective. Such concessions as were obtained for American textiles were few in number and insignificant in amount and in most cases have been canceled by the imposition of currency restrictions and quota limitations.

Balancing the reduced duties on textiles which we have granted against the concessions obtained from foreign countries, the international competitive position of the American cotton-textile industry, as measured by the level of tariff protection, is more insecure than at any time since the rapid rise of imports from Japan in the mid-1930's. Whether or not the cotton-textile industry of the United States can maintain its position in the face of these tariff reductions, no one (including the State Department) can now say. Most of the reductions became effective immediately prior to the war, when all the important textile-exporting countries were preparing for the conflict, or in 1948, when their textile industries had not yet recovered their prewar volume and productivity.

The situation is changing rapidly. Foreign textile industries have been revived and are entering into all the markets of the world. American cotton-textile exports have decreased from 1,470,000,000 yards in 1947 to about 940,000,000 in 1948, a decrease of 36.1 percent. All over the world, especially in Japan, production operations are increasing and there is substantial plant expansion under way. According to reports, the 19 Marshall-aid countries now have 55,000,000 spindles in place, and their program calls for the installation of an additional 15,000,000, an increase of 27.3 percent. Almost without exception, all these countries have been traditional textile supporters. As long as their hunger for dollars continues, the market of the United States is a target for the output of this tremendous capacity. The only protection against this capacity is a tariff wall which has been lowered by the trade-agreements program by about 25 percent, a barrier which could be almost completely wiped out if the official values of foreign countries were revised to their present values in the black market.

Under these circumstances, and in the face of all other uncertainties surrounding the domestic and international cotton-textile situation, further reductions, if any, must be made with great caution and only after careful study. The supreme criterion must be the adequacy of the level of tariff protection to avoid imperiling an important domestic industry. For this purpose, the concept of peril points was written into the present law, and for this purpose it is admirably suited. For the cotton textile industry, it is more important than ever before.

Summarizing our position, we believe that three of the four objections raised by the administration against the present law are without foundation and void of all merit. The fourth objection—that arising from the mandate of the

Commission to advise the President on peril points—strikes at the very heart of our tariff system. If the Congress agrees with the State Department that this requirement returns the program to the old protectionist theory (as if a tariff had any other purpose), it will give the State Department the "clear mandate * * * to guide the economy as a whole into the most productive fines possible." Unless this is mere rhetoric, which we do not believe to be the case, it means that the State Department is free to write off certain American industries if it desires to do so. In the pursuance of this course, there is a possibility for disaster for important segments of the American economy.

We, therefore, earnestly recommend that H. R. 1211 be rejected by this committee.

STATEMENT OF MARION R. GARSTANG, COUNSEL, NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION, ON H. R. 1211 TO EXTEND THE TRADE AGREEMENTS ACT SUBMITTED TO THE SENATE FINANCE COMMITTEE

The National Cooperative Milk Producers Federation is a national organization of dairy cooperatives. Its 86 member cooperative associations are owned and operated by some 425,000 farm families engaged in the production of milk for market in 47 of the 48 States of the Union. Approximately one-fifth of the milk or milk equivalent sold from farms in the United States is marketed by producers through cooperatives connected with the federation.

The federation holds annual membership meetings at which national issues affecting dairymen are considered and discussed. These meetings are attended by dairymen representing the viewpoints of producers and processors of milk from coast to coast and from the northern to the southern boundary of the United States. The resolutions adopted at these meetings express the aggregate views and wishes of the farmers represented by the federation.

A copy of the resolution on trade agreemnts adopted last November in Portland, Oreg., is attached.

The federation did not oppose the original Trade Agreemnts Act in 1934. However, after seeing the act in operation for several years, we did oppose its extension at various times.

One of the things which caused the federation to take a stand against the extension of the act was the secrecy surrounding its administration by the State Department and the character of the hearings before the Committee for Reciprocity Information. The farmers felt that the Committee was not sympathetic to them or to the industry upon which they depend for a living, and that the rights and protections of American farmers were being frittered away for diplomatic considerations of doubtful value.

Opposition to the act reached a climax during the last Congress when the State Department wrote into the General Agreement on Tariffs and Trade the general principles of the International Trade Organization. When the terms of that agreement were revealed to the public, the executive committee of the federation passed a resolution calling for the termination of the President's power under the act.

Last year, when the act was extended, certain safeguards were written into it. Believing this to be a step in the right direction and that trade agreements if subjected to some reasonable control by Congress are not objectionable, the federation reconsidered its position and adopted the attached resolution to that effect.

Thus it appears, if the reactions of the dairymen are typical, that a trade-agreements program soundly administered and reasonably safeguarded would win almost universal support, but that the power to make international agreements, exercised in secrecy and extended beyond the original intent of Congress, creates fear and distrust.

The safeguards contained in the present law are surely the very minimum of protection to which our own citizens are entitled. All that the 1948 amendment does is to require the President to justify his action if an agreement is entered into which is calculated, on the basis of the Tariff Commission's impartial finding of fact, to result in serious injury to some part of the American industry. If there is any real and worth-while need to make such an agreement for the benefit of the country as a whole, it should not be too difficult to justify such action to the Congress and to the people.

We believe that any industry which is singled out for a reduction of tariffs to such a level that serious injury is likely to result is entitled to know for what cause it is being sacrificed.

The right to enter into trade agreements with foreign countries is vested by our Constitution in the Congress. This is so because Congress is representative of the people of the Nation. With that right, there must necessarily go equal responsibility. The people have a right to insist that Congress assume this responsibility and that it not delegate its powers without adequate reservation to the executive branch of the Government.

While practical necessity may require that trade agreements be negotiated by the executive department, we believe that Congress should, nevertheless, insist on knowing what is in such agreements before they are finally executed.

Under the Trade Agreements Act, Congress is in the position of being responsible for the trade agreements—yet, of having delegated to the President not only the right to negotiate such agreements but also the right to put them into final effect without permitting Congress to know what is in them until after it is too late to do anything about it.

We cannot conceive of a businessman operating his own business in such a manner, yet there are few businesses indeed where the effects of an agreement are as far reaching and important as those involved in the trade agreements.

A provision in the law to permit Congress to know what is in the trade agreements before they are finally executed would present no difficulty with respect to such agreements as are sound. Those agreements which are of such doubtful character that they cannot stand up under the scrutiny of Congress are far better left unexecuted.

A great many witnesses who have appeared in connection with the pending bill have apparently assumed that we can proceed with more or less abandon in the reduction of tariffs, relying upon the escape clause to permit us to increase or reimpose tariffs if that should become necessary to prevent serious injury to a domestic industry.

The wording of the escape clause does not appear to justify such a happy and carefree conclusion.

The escape clause provides that tariff concessions may be withdrawn or modified, or obligations under a trade agreement may be suspended, when imports increase in such quantities and under such conditions as to cause or threaten serious injury to domestic producers, if such increase occurs (1) as a result of unforeseen developments and (2) as a result of the effect of the obligations, incurred, including tariff concessions, under a trade agreement (art. XIX, par. 1 (a), of the General Agreement on Tariffs and Trade).

It is quite clear from the wording of the escape clause that both of the above conditions must be present before the clause can be put into operation to relieve a critical domestic situation. Thus, it would not be sufficient merely to show that serious injury was being caused to an American industry as a result of increased imports induced by too drastic a tariff reduction. It would have to be shown in addition that the increased imports causing or threatening the injury were the result of unforeseen developments.

We do not know just what is meant by the term "as a result of unforeseen developments," but it may turn out to be a term which could be used to nullify for all practical purposes the effect of the escape clause.

That serious injury resulting to American industry because of obligations incurred or tariffs reduced in a trade agreement is not an unforeseen development, within the meaning of the escape clause, is apparent. The very wording of the escape clause precludes any argument to that effect. If such injury had been considered an unforeseen development, it would have been sufficient merely to have provided that the escape clause could be used whenever such injury occurred or was threatened. It must be assumed that the insertion of the additional provision on unforeseen developments was to require something more than serious injury.

The making of trade agreements on the basis of calculated risks must of necessity anticipate that some injury may result to certain branches of our domestic industry. And one of the purposes of the trade-agreement program is to encourage such an increase of imports as will balance our exports and thus relieve other countries of their balance-of-trade difficulties. How can it be argued, then, that such an increase of imports as results in a serious injury to domestic industry constitutes an unforeseen development? It is our undertanding that the State Department does not deny that the trade-agreement program contemplates that those industries in any nation which are not able to compete effectively in world trade because of inefficiency or high labor costs must convert to something else or go out of business.

If injury to American industry is not an unforeseen development, what then is such an unforeseen development as will authorize a nation to use the escape clause?

This term is only one of many similar general and somewhat vague terms used in the general agreement. It will be many years before such terms have been construed and defined and their application settled to such an extent that we will know with certainty just what they mean.

Another reason for concern as to the real value of the escape clause arises in connection with the question of who is going to construe and determine the meaning of such terms as "unforeseen developments." Apparently, such construction will in the final analysis fall to the international organization referred to in the agreement as the contracting parties. In this organization the United States will have one vote.

Regardless of what we may think the escape clause means, we would not be permitted to use it unless the contracting parties agreed that an unforeseen development had occurred. If we should persist in our attempt to exercise what we believe to be our right under the escape clause in contravention of the interpretation placed on the clause by the organization, the contracting parties could then conclude that we had violated the spirit of the agreement and could invoke combined sanctions against American trade (art. XXIII, par. 1, General Agreement on Tariffs and Trade).

It thus becomes apparent that the contracting parties, by the simple expedient of applying a strict interpretation to the term "unforeseen development", have within their power the ability to practically nullify the effect of the escape clause.

This being true, is there then any real and enforceable escape under the escape clause, except such as the contracting parties may see fit to accord us?

And, even though we might have a case which fell within the meaning of the escape clause, as that clause is eventually construed, we might still be unable to exercise our right to escape if the contracting parties did not favor our taking such action. The contracting parties could then conclude under article XXIII that, even though we had done nothing to conflict with the express provisions of the agreement, we had nevertheless taken an action which was contrary to the spirit of the agreement and that we were therefore subject to the imposition of combined discriminations against our trade.

In view of the foregoing, and until the uncertainty as to the meaning of the agreement is more definitely settled, we respectfully submit that the escape clause is much too uncertain and too indefinite to be heavily relied upon. As long as a majority of the nations making up the contracting parties do not oppose the exercising of our rights under the escape clause, there should of course be no difficulty. But, if a majority of those nations should find it to their advantage to prevent us from reimposing a tariff to prevent serious injury to a domestic industry, we are quite likely to find that there is but little more in the escape clause than a trusting confidence in other nations, many of which already look upon us with feelings of distrust and jealousy.

STATEMENT CONSIDERING EXTENSION OF RECIPROCAL-TRADE PROGRAM, PREPARED BY MISS ELEANOR NEFF, ASSOCIATE SECRETARY, DEPARTMENT OF CHRISTIAN SOCIAL RELATIONS AND LOCAL CHURCH ACTIVITIES, THE METHODIST CHURCH

The Woman's Division of Christian Service of the Methodist Church, the policy-making body of 1,442,421 organized Methodist women, has frequently expressed its support of full United States cooperation in international economic relations.

At its annual meeting on December 6, 1947, the woman's division adopted the following recommendation, and reaffirmed it December 14, 1948:

"We recommend study and action concerning the responsibility of the United States in developing a healthy and expanding world economy through full cooperation with all United Nations agencies in the economic field, such as the Food and Agricultural Organization, the International Trade Organization, and other international agencies. Of immediate importance is the urging of congressional approval of a 3-year extension of the reciprocal-trade agreement program which expires June 12, 1948, and the approval of the International Trade Organization Charter.

"Promotion of world trade and employment, the negotiation of agreements to reduce tariffs and other barriers, and the integration of efforts in the economic field are essential in the building of a world which holds some promise for

raising standards of living, for the removal of economic conditions that lead to tyranny and war, and for the establishment of permanent peace and good will among all men."

Trade, when it is not impeded by governmental and private barriers, is the means by which a large volume of goods can be exchanged between peoples of many nations. When each country cuts down its barriers to international trade to a level consistent with a healthy economy and national defense, more people will have jobs, and more goods will be produced. People all over the world will eat and live better when each country can trade the products it makes best for the goods another nation makes more efficiently and cheaply. The economy of each nation will be strengthened.

The alternative to sharing an expanding world market is a shrinking market, accompanied by unemployment, lowered standard of living, and chaos. There can be no peace in a hungry world, in a jobless world, in a world at odds over economic rivalries.

United States experience after the last war and during the depression taught us that high tariffs, rather than protecting home industries, resulted in other nations retaliating with high tariffs, quotas against our goods, etc. Trade dried up. Unemployment grew at home and abroad. Loans were defaulted.

The ever-increasing production of our factories and farms requires that we have larger markets abroad than we have ever had. Only then can we keep up our levels of production and employment. The United States must be able to export quantities of goods if high wage levels are to be maintained, and if prices are to be kept down.

If we are to be paid for the goods we sell abroad and are to collect interest and principal on our foreign loans, and if our industries and consumers are to obtain the supplies they need, we must have greater imports. Our domestic market will benefit from increased imports of things American industries and consumers need and want.

An adequate trade agreement program is essential to the success of the European recovery program. Without it the billions appropriated for European recovery will become merely a dole, with little promise of expanded trade.

The woman's division of the Methodist Church believes that the present reciprocal-trade agreements program should be extended for a 3-year period beyond the June 12, 1949, expiration date, without any crippling limitations. The extension of the act for a shorter period would be inadequate and unwise. It would neither inspire confidence in other countries concerning the steadiness of our foreign trade policy, nor permit long-range business planning.

Amendments which would give Congress authority to approve or disapprove specific trade agreements, are unnecessary and undesirable. The provisions of the Reciprocal Trade Agreements Act of 1934, as amended and extended, provides adequate safeguards. The act requires full public notice and hearings before an agreement is negotiated. American industry has been further safeguarded by the Executive order by the President, requesting that an escape clause be included in agreements; these provide that trade-agreement concessions might be withdrawn or modified, if they cause or threaten serious injury to its domestic producers.

As a member of the United Nations, the United States is committed to a policy of international economic cooperation. The immediate test of the United States economic intentions and leadership in world affairs lies in the pending decision confronting Congress concerning the renewal of the Reciprocal Trade Agreements Act.

International economic cooperation is a moral and economic imperative. The unparalleled economic strength and power of the United States places upon our nation an inescapable obligation to take the lead in building a world economy in which an increase in goods and services will improve human welfare around the world and will provide a foundation for peace and security.

THE RUBBER MANUFACTURERS ASSOCIATION, INC.,
New York, N. Y., February 21, 1949.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: On behalf of the 13 American rubber footwear manufacturers who are members of our association, we respectfully urge you and your committee to incorporate in the proposed legislation extending the re-

ciprocal trade agreements program, provisions that will protect American producers—both owners of businesses and their employees—from ruinous foreign competition. This measure is now before you for your consideration and public hearings are being held. We do not request permission to be heard, although if your committee desires it, we will present ourselves at your convenience. The case of the rubber footwear industry is adequately covered in earlier records of congressional inquiries into reciprocal-trade matters, and in the files of the Committee for Reciprocity Information.

Rubber footwear twice has been proposed for tariff adjustments under the reciprocal-trade program. The first time was in 1937 when negotiations culminated in President Roosevelt's proclamation of a trade agreement with Czechoslovakia on March 15, 1938. Our industry opposed any change in the tariffs on rubber footwear and pleaded its case before the Committee for Reciprocity Information. In the 1937 agreement no concessions were made on rubber footwear. The protective duties of 25 percent on waterproof rubber footwear and 35 percent on rubber-soled canvas footwear, both based on the American selling-price principle, which had been authorized by President Hoover in a Presidential proclamation early in 1933, were retained.

The second time rubber footwear was included in discussions of tariffs reductions was at the Geneva conferences in 1947. In this instance, rubber-soled canvas footwear was excluded and negotiations were confined to waterproof rubber footwear—the bulk of our industry's production. Again our Industry presented its case to the Committee for Reciprocity Information, but this time the duty on waterproof rubber footwear was cut, practically in half. The reduced tariff became effective April 21, 1948.

Since that time importations of foreign-made rubber footware, chiefly from Czechoslovakia, have increased steadily. While the quantities are relatively small when compared to the American production over these periods, the rate of increase has become alarming. This industry, a truly American development, begun in the United States over a hundred years ago, which saw its export markets almost completely taken away by foreign imitators, now fears the demoralization of its domestic market because the drastic tariff reduction effected at Geneva has opened the door to a flood of importations. The foreign makers of these imports have only one competitive advantage over the American producer, and that is cheap labor. Since their product cannot expand the American market, they merely will substitute cheap-labor foreign-made rubber footwear for rubber footwear made by American labor at American wages. The blow falls equally on the American manufacturer and the American workman.

We feel that this situation should not have been allowed to develop, and it would not have developed if a responsible agency of the Government, properly equipped to do the job, had had the authority to stake out the limits within which trade negotiations could be carried on without endangering any American industry. Responsibility was spread too wide and therefore too thin, and apparently it did not rest heavily enough upon those who influenced the determinations of the American delegation at Geneva. We cannot help but feel that the American negotiators failed to recognize, either the importance of the American rubber footwear industry or the serious hazards to which it would be exposed by a reduction in tariffs.

Therefore, we earnestly urge you and your committee to provide the needed safeguards to American industry in any bill affecting international trade which you may recommend. On tariff negotiations, it is apparent that the minimum protection would be the establishment of an agency to which American interests could bring their case in confidence that they would be given an intelligent and sympathetic hearing, and this agency should be authorized to establish the margins within which negotiations could be conducted.

Beyond this there should be included in every agreement an escape clause that could be quickly invoked in the event unforeseen developments threatened a domestic industry.

Respectfully submitted.

EXECUTIVE COMMITTEE, FOOTWEAR DIVISION,
CHAS. H. BAKER, Goodyear Footwear Corp.,
J. S. BARRIE, Hood Rubber Co.,
E. H. WHITE, United States Rubber Co.,
C. P. MCFADDEN, *Rubber Manufacturers Association, Chairman.*

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington, D. C., February 21, 1949.

Re Tariff Commission provisions of Reciprocal Trades Act

To Members of the United States Senate.

GENTLEMEN: Among the members of the National Council of Farmer Cooperatives are marketing associations participating in the export of cotton, rice, wheat, corn, feed grains, soybeans, deciduous fruits, citrus fruits, dried fruits, small fruits, nuts, potatoes, various processed fruits and vegetables, eggs and poultry, dry beans and peas, dairy products, and others.

There are also farmer purchasing associations which participate directly or indirectly in the importation of petroleum and its products used for farm power and fuel, fertilizer materials, twine, fibers and burlap materials, farm machinery and equipment and other farm supplies.

Many of our member associations are highly interested in the competitive imports of berries, meat products, tree fruits, citrus fruits, nuts, poultry and dairy products, feed grains and processed products of these.

The interest of our members in foreign trade is not academic or philosophical, but it is concerned with the function of our farmers cooperative business institutions to preserve a sound agriculture as the basis for a sound economy in the United States.

However, with all their divergent regional, economic, political and, at times, competitive business interest, our member associations representing a farmer membership of 3,800,000 have been able to agree on a general principle which they believe should be incorporated in the renewal of the Reciprocal Trade Agreements Act.

At the annual meeting of the member delegates held at Memphis, January 3 to 6, 1949, it was agreed that the council:

1. Believes that international trade in agricultural products, both exports and imports, should be encouraged, aided and stimulated by Government in every legitimate manner designed to serve the best interests of the Nation's agricultural industry and the consuming public.

2. Urges that the provisions of the Reciprocal Trade Agreements Act of 1948 with regard to the functions of the Tariff Commission should be retained in the 1949 renewal of the act.

It is our conviction that the function of the Tariff Commission as an independent fact-finding body should be maintained and strengthened. Participation by the Tariff Commission in the negotiation of trade agreements makes it a party to the agreement, silences its members in any previous or subsequent fact-finding analysis of a proposed or approved tariff change, and thus destroys ist function as a tariff research agency for the benefit of the public and for public agencies.

We believe legislators, administrators and the general public all benefit from a knowledge of the complete facts on the effects of tariffs on domestic industries.

Sincerely yours,

JOHN H. DAVIS,
Executive Secretary.

STATEMENT OF JULIAN D. CONOVER, SECRETARY AMERICAN MINING CONGRESS IN RE H. R. 1211—TRADE AGREEMENTS EXTENSION ACT

My name is Julian D. Conover. I am secretary of the American Mining Congress, a national organization of the mining industry, with offices in Washington, D. C.

Four years ago I appeared before you to urge that a specific provision be written into the Trade Agreements Extension Act, excluding strategic and critical minerals from further duty reductions under the act (record of hearings on H. R. 3240, pp. 125-146, May 31, 1945). I pointed out that such a provision was highly important from the standpoint of our national defense and security. Today it is of even greater importance, and on behalf of the mining industry we wish to renew that recommendation with all the urgency of which we are capable.

We endorse the amendment which Senator Bailey introduced for this purpose in 1945, and which has been placed in the record today by W. Lunsford

Long, of Warrenton, N. C. We recommend not only that strategic and critical minerals and metals be excluded from further tariff reductions, but also that a policy be established under which the statutory rates of duty upon such materials will be restored at the earliest possible date.

"Strategic and critical materials" are, in general, those raw or semiprocessed materials which are so essential in a war emergency that prior provision must be made to assure an adequate supply. The latest list of these materials as published by the Munitions Board is appended to this statement. The strategic importance of these materials was all too painfully evident in World War II, and Congress has rightfully enacted legislation calling for the creation of permanent military stock piles, whereby supplies of these materials which are so indispensable to our defense may be promptly available in another emergency.

You will note that the great majority of these strategic materials are metals or minerals. Some of them, such as tin, tantalite, quartz crystals, etc., are not available in this country in any significant quantities; in general such materials are on the free list under the existing Tariff Act, and hence would not be affected by the amendment which we are recommending.

Other important strategic metals and minerals, including the major nonferrous metals, together with fluorspar, tungsten, antimony, mercury, molybdenum, cadmium, barite, etc., are normally produced in substantial quantity within the United States; and our own mines, given reasonable tariff protection, can supply a major portion of our requirements. It is for these materials that we ask legislative safeguards against any further reduction in import duties.

Over the years experience has shown that our domestic mining industries must have adequate tariffs to protect them against the competition of lower labor rates and richer deposits in foreign countries, as well as from materials stimulated artificially by foreign currency manipulation, dumping, or the operation of foreign cartels. The rates of duty established in the Tariff Act of 1922—as modified only slightly by the 1930 act—represented the minimum protection required by our domestic producers. Many of these duties have already been cut under the Trade Agreements Act, and any further reductions would have serious consequences—not only upon production but upon the future development and availability of our strategic mineral resources.

For the protection of our country in the future, Congress has wisely called for the stock piling of these strategic materials. The mining industry has consistently endorsed and supported the stock-piling program. It is of the highest importance to our future national security. Yet even more important is a recognition by Congress of the need for maintaining a strong, active, and healthy mining industry engaged in the production of each metal and mineral available within our borders. Stock piles are a first line of defense, but the basic stock pile—the real and fundamental backbone of national defense, has always been and will continue to be a healthy, "going" mining industry, possessed of the facilities, manpower, and know-how that can respond promptly to a demand for these vital materials. Congress should not permit any agency of our Government to injure or destroy such an industry.

Essential to a sound and vigorous mining industry are governmental policies which will permit of reasonable confidence in the future. The very existence of the mining industry depends upon long-range planning and the risking of large sums in exploring for and developing new ore reserves and new mines which will not be worked until a future date. Frequently several years are required from the inception of a mining enterprise until it gets into full production. The process calls for courage, persistence, technical skill, and ample capital, prepared to assume all the inherent and unavoidable hazards of mineral development. Even in existing mines, continued investment of risk capital is needed to extend known reserves, develop additional ore, and modernize equipment. Hence the mining industry is particularly susceptible to a condition where the adding of avoidable risks to those that must necessarily be encountered could well dry up the new development that must constantly be going on.

For the producers of strategic metals and minerals, a major avoidable risk is the constant threat of further reductions in their present inadequate tariff protection. Congress can and should eliminate this risk by excluding these materials from further duty cuts under the Trade Agreements Act.

It may be suggested that the provisions in this act requiring public hearings on proposed duty reductions should instill confidence in mining men that their enterprises will not be injured or destroyed. Unfortunately their past experience fails to support this view. It fails to justify any confidence that either the process of negotiating agreements or the escape clauses will afford protection for domestic

mines and mining communities, or will give recognition to the needs of strategic mineral producers (see our 1945 testimony on H. R. 3240, previously referred to, also 1940 record of hearings on H. J. Res. 407, before Committee on Ways and Means, pp. 1569–1584 and 2416–2429). We submit that the national interest in preserving an active, healthy mining industry now calls for affirmative action by the Congress itself.

The need for such action has been ably presented by Elmer W. Pehrson, Chief of the Economics and Statistics Division of the United States Bureau of Mines, who, in discussing the mineral policy of the United States on November 17, 1948, made the following statement:

"*Tariffs.*—Under today's conditions, a discussion of tariff policies is more or less academic; but the present situation cannot prevail forever, and sooner or later world supply will overtake demand. If our industries, particularly those that supply a large proportion of our needs of strategic raw materials and those that contribute heavily to the prosperity of some of our States, could be assured of reasonable tariff protection when the day of reckoning comes, they would feel more secure in investing for the future. Under the reciprocal trade agreements program protective tariffs on most minerals have been reduced substantially. During the period in which these cuts have been in effect, conditions have been such that the ultimate consequences of the reduction have not been apparent. There can be little doubt, however, that the reduction in tariffs has weakened the competitive position of the domestic producer under normal market conditions. He thus faces a future under difficult domestic circumstances over which he has a little control, with his tariff protection greatly reduced.

"The reciprocal trade agreements program probably will remain for many years to come. The suggestion that strategic minerals be exempted from the operations of this act does not question the over-all wisdom of the legislation but does emphasize the fact that the national stake in the conservation and national security aspects of these depletable resource industries calls for special consideration. I believe the public interest would be served by announcing that the tariff cuts, which in the long run will adversely affect domestic production of mineral raw materials, will be reinstated as soon as supply and demand approach a normal balance."

The failure of Congress 4 years ago to give the needed assurance of continued protection to our strategic mineral industries has contributed to existing shortages, and to the critical situation in which some of these industries now find themselves—as described to you today by W. Lunsford Long of the Tungsten Mining Corp. The question of whether these vital industries are to continue to exist and to develop along sound lines, so that they may supply the basic raw materials which will be so urgently needed in another emergency, depends in no small measure on the action which your committee takes in the legislation now before you.

MUNITIONS BOARD, NATIONAL MILITARY ESTABLISHMENT,
Washington 25, D. C., September 23, 1948.

Circular No. 53

CURRENT LIST OF STRATEGIC AND CRITICAL MATERIALS

(The following forms an inseparable part of the strategic and critical materials list)

1. Munitions Board Circular No. 46, dated August 27, 1948, is hereby rescinded.

2. The following definition of Strategic and Critical Materials is issued, pursuant to Public Law 520, Seventy-ninth Congress, insofar as it refers to stock piling, and supersedes the definition adopted November 20, 1944, by the Army and Navy Munitions Board and the Department of the Interior:

"Strategic and critical materials are those raw or semiprocessed materials that are required for essential uses in a war emergency, and whose procurement in adequate quantities, quality, or time is sufficiently uncertain for any reason to require prior provision for their supply."

3. Within the above definition, materials are listed either in group 1 or group 2 according to the following:

"Group 1 comprises those strategic and critical materials for which stock piling is deemed necessary to insure an adequate supply for a future emergency (*a*) primarily because of a dependence on foreign sources of supply or (*b*) primarily

because of the lack of the means for obtaining adequate domestic production to meet emergency needs.

"Group 2 comprises those strategic and critical materials that are not recommended for stock-pile purchase but offer supply problems which will require either further study before a final determination can be made on stock piling or other action to assure adequate supplies in a future emergency."

4. Materials in all groups are subject to constant surveillance and review. Additions to or deletions from the list, or movement of materials between groups, may be made, based upon future changes in their strategic and critical status.

5. The list does not include fissionable materials, responsibility for which rests with the Atomic Energy Commission.

GROUP 1–a

- Agar
- Antimony
- Asbestos:
  - Chrysotile
  - Amosite
- Bauxite:
  - Metal grade
  - Abrasive grade
- Beryl
- Bismuth
- Cadmium
- Castor oil
- Celestite
- Chromite:
  - Metallurgical grade
  - Refractory grade:
    - Type A
    - Type B
- Cobalt
- Coconut oil
- Columbite
- Copper
- Cordage fibers:
  - Manila
  - Sisal
- Corundum
- Diamonds, industrial
- Emetine
- Graphite:
  - Amorphous lump
  - Crystalline flake:
    - Crucible grade
    - Lubricant and Packing Grade
- Hyoscine
- Iodine
- Kyanite
- Lead
- Manganese ore:
  - Battery grade
  - Metallurgical grade
- Mercury
- Mica:
  - Muscovite block, good stained, and better
  - Muscovite film
  - Muscovite splittings
  - Phlogopite splittings
- Monazite
- Nickel
- Opium
- Palm oil
- Pepper
- Platinum group metals:
  - Iridium
  - Platinum
- Pyrethrum
- Quartz crystals
- Quebracho
- Quinidine
- Quinine
- Rapeseed oil
- Rubber, natural:
  - Crude natural rubber
  - Natural rubber latex
- Rutile
- Shellac
- Sperm oil
- Talc, steatite, block
- Tantalite
- Tin
- Tungsten
- Vanadium
- Zinc
- Zirconium ores:
  - Baddeleyite
  - Zircon

GROUP 1–b

- Jewel bearings:
  - Instrument jewels, except Vee jewels
  - sapphire and ruby Vee Jewels
  - Watch and time-keeping-device jewels
- Sapphire and ruby

GROUP 2

Aluminum
Asbestos: Canadian chrysotile
Barite
Bristles, pig and hog
Burlap, jute
Chalk, English
Chromite: Chemical grade
Cordage fibers:
    Hemp, true American
    Henequen
    Jute
Cork
Cryolite, natural
Diamond Dies
Emery
Fluorspar:
    Acid grade
    Metallurgical grade
Glass, optical
Graphite: Crystalline fines
Iron Ore
Kapok
Leather:
    Cattle Hides:
        Heavy
        Light
    Calf and kip skins
Loofa sponges
Lumber:
    Balsa
    Mahogany
Magnesium
Mica:
    Muscovite block, stained and lower
    Phlogopite block
Molybdenum
Petroleum and petroleum products
Platinum group metals:
    Osmium
    Palladium
    Rhodium
    Ruthenium
Radium
Scrap, iron and steel
Selenium
Sesame oil
Talc, steatite, ground
Tung oil
Wool

STATEMENT OF AMERICAN VETERANS COMMITTEE (AVC) IN SUPPORT OF H. R. 1211, THE TRADE AGREEMENTS EXTENSION ACT OF 1949

The American Veterans Committee (AVC), an organization of more than 40,000 veterans of World War II, is dedicated to achieving a more democratic and prosperous United States and a more stable world. We believe that enduring national prosperity and security can be achieved only on a basis of world economic cooperation. We believe that the reciprocal trade-agreements program is sound. We urged the continuance of the trade-agreements' program in the statement of policy adopted at our national convention in June 1947. The policy was reaffirmed at our national convention in Cleveland in November 1948. We believe that the Trade Agreements Act should be immediately extended for at least 3 years substantially in the form contained in H. R. 1211. We urge the adoption of H. R. 1211.

The world is now looking to the United States for leadership. The overwhelmingly dominant position of the United States among the trading nations in the postwar world has thrust upon us grave responsibilities, in that all action and nonaction on the part of the United States in matters of economic policy have wide repercussions throughout the world. We have met those responsibilities in a manner which has given to the world new hope for the future and faith in the leadership of the United States.

The reciprocal trade agreements program has, for 14 years, been the cornerstone of our commercial relations with other nations. It has worked well and led to a gradual reduction of trade barriers over a wide list of commodities and an expansion of trade between nations on a mutually advantageous basis. By eliminating specific barriers to trade, it has created new opportunities for trade; by expanding imports, it has created new demand for exports by making dollars available to other nations to pay for those exports; by securing to the United States the advantages of trade, it has helped to guide our economy into the most productive lines. In the recent past, it has been of even broader significance. It was under the authority contained in the Trade Agreements Act that the United States sponsored and by its broad participation brought to a successful conclusion the conference at Geneva in 1947 which resulted in the general agreement on tariffs and trade in which 23 nations undertook to reduce tariffs and

other trade barriers on a reciprocal basis. Extension of the act will be required to make effective United States participation in the forthcoming Geneva Conference on Tariffs and Trade, at which 13 additional nations will participate and will bind themselves to the principles contained in the Geneva agreement of 1947.

Expansion of trade is an integral part of the European recovery program. The ultimate objective of that program is to restore the productive capacity of the European nations so that they may once again be self-supporting at an acceptable standard of living. To achieve this goal, European nations must increase trade between themselves and with other nations, including the United States. In order to buy from the United States, they must sell to the United Sates. Progressive reduction of trade barriers by all concerned, and especially by the United States, will encourage the development of that trade. Because of its dominant position in the world economy, only the United States is in a corresponding position to assume leadership in the reduction of barriers to trade. Only by continuing those measures which have encouraged other nations to join with us in our program of international economic cooperation, can we maintain their faith in our purpose. The Trade Agreements Act is one such measure.

The American Veterans Committee believes that the Trade Agreements Act is an integral part of the bipartisan international economic policy of the United States which has been formulated in order to achieve a more prosperous United States, a healthier and more stable world economy and enduring peace. We call upon the Eighty-first Congress to adopt without delay H. R. 1211, the Trade Agreements Extension Act of 1949.

STATEMENT OF JOHN G. WRIGHT, PRESIDENT OF THE BOSTON WOOL TRADE ASSOCIATION BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE ON S. 833, A BILL TO AMEND THE ECONOMIC COOPERATION ACT OF 1948

My name is John G. Wright of Boston, Mass., where I am engaged in the wool business. I appear here today as president of the Boston Wool Trade Association. This association has among its members about 650 individuals and firms engaged in the business of buying and selling and manufacturing wool. Almost all of the wool consumed in the United States is handled through the members of this association and most of the wool which is manufactured in the United States is manufactured in the northeastern and Middle Atlantic States.

The business of buying and selling wool is practically at a standstill today, and many wool mills are either shut down or are running at curtailed capacity, resulting in much unemployment.

The causes for this stagnation of business are several. This country consumes annually approximately 1,000,000,000 pounds of wool, less than one-third of which is grown in the United States. A large portion of the fine wools which this country is required to import is grown in the British colonies, particularly in Australia. This means that American business must convert their dollars into pounds sterling to pay for such wool, and the British Government compels us to pay $4.03 for our pounds sterling (the official rate), whereas some European nationals with Marshall plan dollars are permitted to purchase their sterling in the free market at a cost of approximately $3.20, which gives them a 20 percent advantage over American business. This has had the effect of increasing the prices of Australian wool to the point where it has been, and is, impossible for American business firms to compete in the purchase of such wools. Some of this wool is purchased by countries with Marshall plan aid and then is manufactured by the purchaser into yarns and cloth and shipped to the United States where the seller receives dollars with which he is again able to purchase cheap sterling.

On behalf of the members of the Boston Wool Trade Association I wish to present for the consideration of the committee the following recommendations which the wool trade believes would solve this problem:

1. That American business be permitted to purchase sterling at whatever price it is offered at in the market just as certain other European nationals are permitted to do today, thus allowing American business to compete with the European business in the purchase of wool in the foreign markets; or

2. That American business be permitted to make separate exchange agreements with wool-exporting countries such as Australia, New Zealand, and South Africa. By this we mean to suggest the dollar and the pound of these countries should be freed to find their own relative value, which course if adopted would result, we believe, in a far greater bilateral trade.

I cannot bring to the attention of this committee too forceably the fact that unemployment and further deterioration in our wool textile industry will continue and become more acute unless the advantage enjoyed by certain European nationals who have access to free market sterling, is also made available to American business.

I appreciate the opportunity that the committee has extended me in presenting the problem of our industry to the committee and in conclusion, may I express the hope that our problem will have your serious consideration.

The CHAIRMAN. The committee will recess until 9:30 in the morning, but I will say that Senator Malone will be on for a few minutes.

(Whereupon, at 5:30 p. m., the committee recessed until 9:30 a. m., of the following day.)

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